

JPRS 79846

12 January 1982

# South and East Asia Report

No. 1086

**FBIS**

FOREIGN BROADCAST INFORMATION SERVICE

#### NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

#### PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

12 January 1982

## SOUTH AND EAST ASIA REPORT

No. 1086

## CONTENTS

## INDIA

Nation Seeks To Improve Ties With Neighboring Countries (G. K. Reddy; THE HINDU, 18 Nov 81).....	1
Rao Addresses FRG Foreign Policy Association (THE TIMES OF INDIA, 19 Nov 81).....	2
Sathe Speaks in UN Debate on Afghanistan (THE TIMES OF INDIA, 19 Nov 81).....	3
Issues of New Parliament Session Discussed (G. K. Reddy; THE HINDU, 19 Nov 81).....	4
Science, Technology Minister Tells Plans (PATRIOT, 19 Nov 81).....	5
Reportage on Uganda President's Visit to India (PATRIOT, 24, 25 Nov 81; THE TIMES OF INDIA, 25 Nov 81).....	7
Meeting With Gandhi Obote Press Conference Cooperation, Trade Pacts	
Bulgarian Envoy Tells Trade, Cooperation Plans (PATRIOT, 19 Nov 81).....	10
Trade, Cooperation Pact With Morocco Signed (PATRIOT, 21 Nov 81).....	11
Further Delay in Mirage Purchase Foreseen (G. K. Reddy; THE HINDU, 21 Nov 81).....	12
Government, Canada Sign Three Loan Agreements (THE TIMES OF INDIA, 22 Nov 81).....	13
Economic Relations With Czechoslovakia Reviewed (PATRIOT, 25 Nov 81).....	14

UN Delegate Opposes Israeli Stand on Palestine (PATRIOT, 25 Nov 81).....	16
Reasons Behind Rao Visit to Nepal Discussed (L. K. Sharma; THE TIMES OF INDIA, 23 Nov 81).....	17
Reportage on Foreign Minister's Visit to Nepal (THE TIMES OF INDIA, 28 Nov 81; PATRIOT, 30 Nov 81).....	18
27 November Banquet Meeting With Birendra	
'PATRIOT' Editor Writes on Sino-Indian Ties (R. K. Mishra; PATRIOT, 24 Nov 81).....	20
USSR Negotiating Purchase of Indian Textiles (Debashish Munshi; THE TIMES OF INDIA, 22 Nov 81).....	23
Importance of Silicon Chip to Nation Discussed (THE TIMES OF INDIA, 23 Nov 81).....	25
Press Reports Problems of Foreign Collaboration (THE SUNDAY STATESMAN, 22 Nov 81; THE HINDU, 26 Nov 81).....	26
Finance Official's Speech Problems of Investors, by N. N. Sachitanand	
Home Minister Tells Policy on Secessionists (THE HINDU, 27 Nov 81).....	30
Press Reports Rao Statement on Pakistan Offer (THE TIMES OF INDIA, 26 Nov 81; THE HINDU, 26 Nov 81).....	31
Report on Statement G. K. Reddy Commentary, by G. K. Reddy	
Report on Gandhi Speech to Congress-I MP's (THE STATESMAN, 23 Nov 81).....	35
Report on Gandhi 21 November Speech to Bank Officials (THE TIMES OF INDIA, 22 Nov 81).....	36
G. K. Reddy on Gandhi Defense College Speech (G. K. Reddy; THE HINDU, 25 Nov 81).....	38
Reportage on Matter Concerning Loan From IMF (Various sources, various dates).....	39
Text of Finance Minister's Statement G. K. Reddy Commentary, by G. K. Reddy Government Note to IMF Venkataraman on Second Letter	



UN Envoy Scores New Members of Ocean Committee (PATRIOT, 22 Nov 81).....	44
Nation Said To Have High Standing in Space Club (Editorial; THE HINDU, 23 Nov 81).....	45
Reddy: Better Climate for Rapprochement With PRC (G. K. Reddy; THE HINDU, 28 Nov 81).....	46
Sources Report 1982-83 Plan Under Discussion (THE STATESMAN, 28 Nov 81).....	47
Indo-Soviet Oil Collaboration Protocol Signed (PATRIOT, 1 Dec 81).....	48
Delhi Reportedly May Not Draw Third IMF Installment (PATRIOT, 30 Nov 81).....	49
Briefs	
India-UAE Panel	50
Hydrochloric Acid to USSR	50
Navy Chief of Staff	50
Shoes to GDR	50
Iron From Pakistan	51
Saudi Plan Supported	51
Handicraft Goods to USSR	51
Petition Against Envoy	51
Pact With Indonesia	52
Printing Machines From GDR	52
Machinery From USSR	52
Aid to Uganda	52
Increased Czechoslovakian Trade	52
Soviet Ships' Visit	53
Joint Projects With Sri Lanka	53
KAMPUCHEA	
Editorial Discusses Need To Counter Enemy Propaganda (KANG TOP PADEVAT, 10 Aug 81).....	54
LAOS	
PRC, Thai Border Violations and Anti-Regime Activities Noted (VIETNAM COURIER, Oct 81).....	56
Government Seeks Bids on Milling Equipment (BULLETIN QUOTIDIEN, 7 Dec 81).....	58
THAILAND	
Indonesian Strategist Discusses Possible Solutions to Indochina Problems (Jusuf Wanandi; THE NATION REVIEW, 3 Dec 81).....	59

Bangkok 'POST' Carries More on NESDB Report (POST, 4 Jan 82).....	62
Gen Athit Said To Enhance Role of Paramilitary Forces (SIAM MAI, 29 Aug 81).....	65
Police Operations Center Described (SIAM MAI, 29 Aug 81).....	70
NESDB Issues Report on Inflation (NATION REVIEW, 1 Jan 82).....	74
NESDB Report Views Economic Future (Voice of Free Asia, 2 Jan 82).....	76
Relations With Laos Reviewed as Additional Borderpoint Opens (THE NATION REVIEW, 1 Dec 81).....	77
Effects of Devaluation Reviewed (Piyasvasti Amranand; THE NATION REVIEW, 9 Dec 81).....	79
Baht-U.S. Dollar Guarantee To Be Abolished (Voice of Free Asia, 26 Dec 81).....	81
Ranger Atrocity, CPT Presence Viewed in Nakhom Srithammarat (THE NATION REVIEW, 16 Nov 81).....	82
Ranger Unit Discharged in Nakhom Srithammarat (THE NATION REVIEW, 18 Nov 81).....	84
Indentured Child Labor Problem Viewed (Premisiri Dilokprichakul; THE NATION REVIEW, 20 Nov 81).....	85
Children Sold Into Slavery Because of Bad Economic Conditions (Premisiri Dilokprichakul; THE NATION REVIEW, 17 Nov 81).....	87
Rate of Jobless on the Rise (THE NATION REVIEW, 21 Nov 81).....	89
Job Creation Plan Said To Be Only Partly Successful (Suthichai Yoon; THE NATION REVIEW, 16 Nov 81).....	90
University Graduates Face High Unemployment Rate (THE NATION REVIEW, 9 Nov 81).....	92
Workers Fired for Trying To Form Unions (THE NATION REVIEW, 23 Nov 81).....	94
Muslim Troops To Be Sent on Mecca Pilgrimage (S. Kasitapradit; THE NATION REVIEW, 9 Dec 81).....	95

Insurgents Burn Down Railroad Station in South	
(WORLD, 23 Dec 81).....	97
Briefs	
Economic Growth Rate	98
'Boat People' Lost in Monsoon	98
USSR To Buy Tapioca	98
Boat People Towed to Sea	99

## NATION SEEKS TO IMPROVE TIES WITH NEIGHBORING COUNTRIES

Madras THE HINDU in English 18 Nov 81 p 1

[Article by G. K. Reddy]

[Text]

NEW DELHI, Nov. 17.

The latest strains in Indo-Pak relations are spurring India to make a renewed effort to establish better understanding with the other countries of the sub-continent to strengthen its own geopolitical position in the region.

The focal point of this effort is going to be Bangladesh with which India has a number of unresolved problems which continue to generate constant friction.

It is not so much the success of Mr. Abdus Sattar as the size of his landslide victory that has surprised observers of the Bangladesh presidential election.

The spectacular triumph of the army-backed Bangladesh Nationalist Party candidate, and the humiliating defeat of his Awami opponent, has to be viewed in the context of the malicious propaganda that was carried on branding Dr. Kamul Hussain as an Indian favourite who could not be depended upon to safeguard Bangladesh's interests.

**Unfair advantage:** This calumnious accusation infused an ugly political overtone into the campaign, giving Mr. Sattar an unfair advantage over Dr. Hussain in what ultimately turned out to be a wholly one-sided election.

The President of the Awami League, Mrs. Hazina Wazed, daughter of the late Sheikh Mujibur Rahman, was portrayed in wall posters as "Sheikh Hasina Gandhi" while the Bangladesh radio gave wide publicity to the totally baseless reports of loudspeakers from the Indian side of the border urging the Hindu voters to vote for the Awami League candidate.

So India faces an uphill task in first restoring the missing perspective in Indo-Bangla relations before tackling

any of the outstanding problems between the two countries in a spirit of mutual accommodation. The new President has already called for the inclusion of Nepal in the talks on the river waters question.

**Fresh moves will have to wait:** The Government will have to wait for the new President to assume office, elect or select the new Vice-President and settle down before initiating any fresh moves for improving relations.

But India will utilise the earliest opportunity to impress on Mr. Sattar and his advisers its desire for better understanding in the larger interests of peace and stability in the region.

The present Prime Minister, Shree Azim Rahman, is an obvious candidate for vice-presidency which has come to assume additional importance because of Mr. Sattar's age. He is known for his pro-Pakistan views and it remains to be seen how he would react to the Indian moves for greater amity against the background of the worsening Indo-Pak relations.

**Narasimha Rao to visit Nepal:** But this unhappy scenario in Bangladesh is not being allowed to cast its shadow over Indo-Nepalese relations. The External Affairs Minister, Mr. P. V. Narasimha Rao, is going to Kathmandu on November 27 to prepare the ground for the goodwill visit of the President, Mr. N. Sanjiva Reddi, early next month.

The present Prime Minister of Nepal, Mr. Surya Bahadur Thapa, has been an ardent advocate of closer relations with India without prejudice to the landlocked kingdom's links with China.

King Birendra also has been quite keen on improving Indo-Nepalese relations and has for all practical purposes abandoned the earlier policy of equidistance from his country's two big neighbours, India and China.

**Favourite pastime:** But in the politically volatile atmosphere of Nepal's internal politics, India-baiting remains a favourite

pastime, and a few anti-Indian noises made in the right quarters over some sensitive issue can easily stir up raw emotions.

So India does not want to give the impression that it has any selfish motives in attempting to improve relations with Nepal other than pursuing a policy of beneficial bilateralism.

The Government is equally conscious of Bhutan's sensitivities especially in the context of its impending talks with China on border demarcation. The Bangladesh factor also plays a part in Bhutan's responses in the sense that it had quietly elevated during the Charan Singh interregnum its trade mission in Dacca to the status of an embassy without Indian concurrence.

**Bhutan's vested interest:** Bhutan has a vested interest in the improvement of Indo-Bangladesh relations, because it would help tone down India's disapproval of this unilateral action, thereby eliminating a major source of misunderstanding with it.

**Ties with Sri Lanka to be diversified:** As a logical follow-up of this policy of better understanding with the sub-continental States, India also proposes to take suitable steps both to diversify and deepen its relations with Sri Lanka to provide a politico-economic base for this bilateral cooperation.

The Government continues to keep up a proper distinction between its approach to the problems of Indian origin settlers in the island and its more fundamental desire for mutually beneficial relations with Sri Lanka in both the political and economic spheres.

The President of Sri Lanka, Mr. Jayewardene, is still very keen that Mr. Sanjiva Reddi should pay a visit to the island, which had to be postponed a few months back because of unavoidable circumstances.

And the visit will probably take place early next year as a manifestation of India's goodwill.

## RAO ADDRESSES FRG FOREIGN POLICY ASSOCIATION

Bombay THE TIMES OF INDIA in English 19 Nov 81 p 9

[Text]

BONN, November 18 (UNI).

**T**HE external affairs minister, Mr. P. V. Narasimha Rao has called upon the non-aligned nations to strive for "economic non-alignment" which, he says, is essential for the movement's existence.

Although non-alignment is gaining "new respectability" in international politics, the cohesion within the movement is threatened with political blackmail by some affluent nations using economic weapons, Mr. Rao said while speaking on "Non-Alignment Today" at a meeting of the German foreign policy association here on

The necessary concomitant of non-alignment should, therefore, be economic self-reliance, at least until these nations give up their black mailing tendency, he said.

Mr. Rao said the voting pattern at the United Nations clearly indicated that the consensus arrived at the non-aligned conference was not reflected in the world forum. This was a sad commentary on the movement and demonstrated that outside influences were exerted on the non-aligned countries, he added.

"This is the greatest challenge to the non-aligned movement since it means internal cohesion," he said adding that it was high time that it was taken seriously note of.

Mr. Rao said many industrialised nations continued to attach political strings to economic cooperation with non-aligned countries. Such attempts for short-term political gains would prove counter-productive in the long run, he added.

**'USE OWN GENIUS'**

Mr. Rao took some non-aligned developing countries to task for "blindly

aping an affluent economy and way of life beyond their means and capabilities."

Such actions spelt not only unmitigated disaster to these countries but also eroded the spirit of non-alignment, Mr. Rao said. He said non-aligned countries must use their own genius to achieve self-reliance.

The problems of most of the non-aligned countries were basically food, clothing, shelter, health and education. Non-aligned countries should, therefore, strive to achieve progress by using methods and technology most relevant to their own conditions.

Mr. Rao said the identity of views on a large number of international issues between non-aligned and the "non-aligned countries" gave the non-aligned movement a "new respectability".

Departing from his prepared speech, Mr. Rao spoke of the similarity of views between India and West Germany on major international issues.

Mr. Rao said it was also the result of the emerging multi-polar situation in world politics and increasing awareness of aligned nations that some of the world's problems could be solved by one country or a bloc of countries alone.

Mr. Rao traced the development of the non-alignment movement since the first meeting of foreign ministers in Belgrade and examined its validity and utility in the present world. Although it has passed successively through stages of indifference, derision, hostility and of late toleration on the part of rest of the world, it has still to reach a stage of decisiveness in all momentous international issues. This could happen only when it was not seen as another bloc, but as a force in terms of irresistible world opinion to which eventually all nations subscribe in their own way, Mr. Rao said.

## SATHE SPEAKS IN UN DEBATE ON AFGHANISTAN

Bombay THE TIMES OF INDIA in English 19 Nov 81 p 12

[Text]

## UNITED NATIONS,

November 18 (PTI).

**I**NDIA'S foreign secretary, Mr. R. D. Sathe, told the U.N. general assembly that successive efforts at defusing the situation in Afghanistan had been frustrated by the continued adoption of "unrealistic attitudes, inflexible positions and legalistic disputations". He called for a political solution evolved through a dialogue between the parties concerned.

Speaking in yesterday's debate on the situation in Afghanistan, Mr. Sathe said such a political solution "should be based on certain commonly acceptable elements of which the most important are the complete cessation of all interference or intervention in the internal affairs of the states, opposition to the presence of foreign troops in any country and the furnishing of reliable and complete guarantees against all forms of interference." These elements, he said, were contained in the New Delhi Declaration adopted in February by the foreign ministers of nonaligned countries.

## INDIA'S OBJECTION

Alluding to Pakistan, Mr. Sathe said while the problems posed by the situation within Afghanistan were themselves causing concern, the adoption of "frontline postures and induction of sophisticated arms" could only prove detrimental to any confidence building between states or to the evolution of stability through mutual accommodation and co-operation among the states of the region.

He said: "Suspensions generated by the harbouring and encouragement of dissident elements and the consequent build-up of tensions could only heighten the risk of a great power confrontation and its evil consequences leading to the destruction of political and economic resources of the countries concerned. Further, such a situation would serve as a standing temptation to those who wish to create further instability in the area."

Mr. Sathe's reference to adoption

of "frontline postures" and "induction of sophisticated arms" in the region was later objected to by Pakistan's permanent representative, Mr. Niaz Naik.

Mr. Naik said Pakistan was a frontline state in the sense that following the Soviet military intervention in Afghanistan and the eruption of a national resistance against the Kabul regime, Pakistan became the victim of a situation which was not wholly its creation.

He claimed there had been no induction of any sophisticated arms in Pakistan but countercharged India with acquiring large scale sophisticated weaponry from the Soviet Union and elsewhere. He said that Pakistan had not allowed its bilateral relations with India to be affected as a result of the Afghan issue.

India ignored the Pakistan representative's assertions.

The assembly continued its debate on the Afghanistan situation for the second day yesterday. It has before it a resolution tabled by Pakistan and 44 other countries calling for the immediate withdrawal of "foreign troops" from Afghanistan. It also reiterates that "the preservation of the sovereignty, territorial integrity, political independence and nonaligned character of Afghanistan is essential for a peaceful solution of the problem."

India abstained on a similar resolution last year and is expected to do so again when the resolution is voted upon by the assembly today. The resolution, strongly opposed by the Soviet Union and Afghanistan, will, however, be carried by a huge majority.



## ISSUES OF NEW PARLIAMENT SESSION DISCUSSED

Madras THE HINDU in English 19 Nov 81 p 1

[Article by G. K. Reddy: "Opposition Will Have Enough Grist"]

[Text]

NEW DELHI, Nov 18

The first week of the winter session of Parliament, which opens on Monday next, is going to be quite stormy with the Opposition parties making a determined attempt to raise a wide range of controversial issues to embarrass the Government.

The postponement of the Garhwal repoll will certainly generate a lot of heat, although the Government will be able to weather the storm with its big majority in both the Houses.

But no issue is raised in Parliament by the Opposition with the object of censuring the Government or compelling it to make due amends for its lapses. The whole emphasis is on exposing the infractions of those in power and assailing them for their failings or transgressions.

The Government is well aware that, in the absence of a reasoned rebuttal of the charges of misuse of power, tolerance of corruption and ineffectiveness to criticism, or inadequate leadership, faltering performance and indifference to the plight of the people, an impression might be created that the ruling party is unable to comprehend or cope with the full magnitude of the gigantic tasks facing the country at present.

It is quite possible that the Opposition parties might spoil their case either through gross exaggeration or inept articulation. But the Congress (I), too, is capable of defaulting in putting across its point of view by protesting too much with a presumptuous air of injured innocence or resorting arrogantly even to legitimate criticism of its actions.

Classic case: The Garhwal episode will serve as a classic case study of how a government, having taken an ill-advised step, tends to defend doggedly an indefensible decision.

Those responsible for the postponement of the repoll do not realise that they have unwittingly generated a lot of sympathy for Mr. H. N. Bahuguna, the aggrieved Opposition candidate.

Similarly, the Prime Minister's continued refusal to concede the impropriety of Mr. Antuliy's fund collections has exposed the ruling party to a lot of avoidable embarrassment, which the Opposition will naturally try to exploit by raking up the odious episode in Parliament again.

But much more fundamental than these peripheral issues are the worsening law and order, the rising prices, the tensions in Punjab and Assam, the increase in railway accidents and the general decline in the quality of administration.

In the hurly-burly of the running battles between the Government and the Opposition over more exciting events, the problems of public welfare receive relatively lesser attention, although a lot of extravagant promises are made or tears shed over the sufferings of the people.

Issues that will provoke controversy in the field of foreign affairs or external economic relations, the no-war offer of Pakistan, the IMF loan, the fate of the Tarpur agreement, the impending talks with China and the new defence burdens imposed by the super power rivalries in the region are bound to attract attention. These issues will provoke controversy over the Government's response to these developments, but there will also be some rare moments when the two sides would be able to rise above the rut of cross-purpose.

It is primarily the responsibility of the ruling party to ensure proper functioning of Parliament by giving the Opposition parties a sense of fuller participation in the proceedings and responding to legitimate criticism. In attempting to shout down even obstreperous members

who cannot be restrained by the Chair from taking undue liberties with the rules of procedure, the ruling party cannot ride roughshod over dissent, much less silence criticism.

The Indian experience has shown that Parliament functions better when the two sides are more or less evenly divided with no massive majority to make the ruling party indifferent to the feelings of the Opposition. The last session has shown that, though the rank and file of the Congress (I) had fully rallied behind the Government under the impression that the fierce Opposition onslaughts on Mr. Antuliy were, in effect, aimed at eroding Mrs. Gandhi's own position, they were privately no less critical of the Maharashtra Chief Minister's actions.

Inherent dangers: The Prime Minister is not unaware of the inherent dangers of the under-current of resentment surfacing at a politically awkward moment if she continues to shield Mr. Antuliy beyond a point with the astonishing argument that an acceptance of his resignation would encourage the Opposition to launch an all-out campaign to denigrate her and her Government. It is not likely that she will go out of her way to defend him even if she is not ready to drop him at the stage for other reasons.

It will be interesting to see whether Mrs. Gandhi will take more interest in the proceedings of Parliament during the session or she will continue to keep away most of the time by putting up only a token appearance when she cannot avoid it. The very fact that the Prime Minister as Leader of the House has been absent most of the time during the last session, intervening only once during the censure motion, distorted the day-to-day proceedings and tended to place a premium on distraction in the absence of proper leadership from the Government side.

## SCIENCE, TECHNOLOGY MINISTER TELLS PLANS

New Delhi PATRIOT in English 19 Nov 81 p 5

[Text] A policy statement on computers and computerisation outlining the approach to the issues relating to imports and indigenous software and hardware development is expected to be announced in the forthcoming session of Parliament.

The Government is also likely to review collaborations and agreements in the electronics watch industry and may allow more foreign collaborations to end the current dependence on just one American and one Japanese company, Minister of State for Science Technology and Electronics C P N Singh said in an interview.

Mr Singh said the Government also proposes to liberalise licensing policy in electronics to attract expatriate Indians to invest in electronic industries in the country. Foreign collaboration will be obtained to bring local technology to a contemporary level but the emphasis will be on self-reliance in critical areas he added.

The computer policy he said would have its emphasis on strengthening the base for indigenous manufacture for use in agriculture industry public health and similar areas. Selective import would be allowed in the case of the more sophisticated third and fourth generation computers which have a limited demand.

A group headed by Prof P C P Bhatt director (computer development) in the Ministry is now studying the issues involved and would submit its report later this month Mr Singh said.

The Minister regretted that the private sector had neglected computers and microprocessors in areas like public health and agriculture while concentrating on the more lucrative consumer products. The public sector may therefore be asked to make up for the lapse.

Mr Singh countered charges made by computer users in the country that the Department of Electronics had a very restricted import policy. The policy, he said was neither all-restrictive, nor too liberal as it was geared towards developing the indigenous industry. In this connection, the minister said, imports of Soviet computers would be allowed whenever necessary. Electronics trade with the Soviet Union, he said was also being revitalised.

Speaking on the status of work on the higher computers in the country, the minister said India was among the few who could claim a 32 bit mainframe manufacturing capability for integrating and system engineering. Systems engineering is already being used in space applications. Besides the ONGC is developing a computer network and efforts are on to develop appropriate data communication facility to support message handling by Air India and Indian Airlines.

In electronic watches, Mr Singh said, he wanted a second look at the priorities and agreements made with the US and Japanese firms. Although electronic watches did not constitute a high priority item, the effort would be to broadbase the technology import, perhaps through collaborations with some more foreign manufacturers, he explained.

Mr Singh pointed out that the growth of demand and production had suffered in the past because of the emphasis on mere import substitution. This led to undue protection of local producers resulting in less attention to the development of components, instrumentation and materials. But a beginning has been made and there had been a Rs 30 crore investment in component manufacture since 1980, he said.

Mr Singh said about 30 big and small units for the production of mini and micro-computers were likely to come up in the next five years. Efforts are also being made to provide the required infra-structural support to this.

In transreceivers a liberal licensing policy has been announced. A study has also been undertaken to see how licensing of the use of wireless sets can be put on a more liberal footing, Mr Singh said.

CSO: 4220/7421

## REPORTAGE ON UGANDA PRESIDENT'S VISIT TO INDIA

## Meeting With Gandhi

New Delhi PATRIOT in English 24 Nov 81 pp 1, 8

[Text]

INDIA and Uganda on Monday shared deep anxiety over the deteriorating security environment around developing countries in general.

This came out in bold relief at a 100-minute meeting Uganda's visiting head of state Dr A Milton Obote had with Prime Minister Indira Gandhi in the Capital. The meeting was held in a warm and cordial atmosphere without aides.

Mr Gandhi told Dr Obote that in regional context great-power confrontation has taken other countries in grip and involved them in arms race leading to instability and tensions in the area.

She attached special significance to peace movement in Western Europe gaining more and more public support, notwithstanding the fact that many of these countries were members of the NATO.

There was heightened concern there over the stockpiling and deployment of nuclear weapons, the mounting arms race and erosion of the process of detente, she maintained.

The two leaders exchange their views on world developments, specially the situation in Afghanistan, the Indian Ocean and India's neighbourhood.

On the question of Afghanistan, Mrs Gandhi stressed the desirability of a political solution, taking into account the Afghan people's welfare and progress.

Dr Obote informed Mrs Gandhi about the recent developments in Uganda since he assumed the office. The situation he said despite motivated Western propaganda to the contrary, had vastly improved with reconstruction and economic development

programmes proceeding satisfactorily.

Mrs Gandhi also conveyed to the Uganda leader her impressions of the Cancun restricted North-South Summit. The issue was not merely of North-South interaction but one of general global concern, she emphasised. She recalled her meetings with various leaders at Cancun, and during her subsequent visit to East and West Europe.

The two leaders are to meet again on Tuesday. Mrs Gandhi is hosting a working luncheon in Dr Obote's honour.

India and Uganda further expressed their concern at the escalating arms which threatened peace and stability, especially in the Third World. At a banquet hosted in honour of the visiting head of State by President N Sanjiva Reddy, adds UNI.

Mr Reddy said: "we call upon those who are encouraging such developments to heed this and stop the large-scale induction of arms into this region so that the people of this area can utilise their limited resources for economic progress."

Dr Obote said that the enormous spending by developed countries on production of more and greater weapons of destruction would "jeopardise the security of us all." He emphasised that "peace cannot be achieved by maintaining a balance of terror."

## AGREEMENTS

India and Uganda have decided to sign four agreements on Tuesday which will institutionalise their economic and technical and technical cooperation and boost bilateral trade.

## Obote Press Conference

Bombay THE TIMES OF INDIA in English 25 Nov 81 p 1

[Text]

NEW DELHI, November 24.

### "BLOOD TRANSFUSION"

**I**NDO-Ugandan economic relations were reinforced today with the two countries signing four agreements covering different areas of cooperation.

The Ugandan President, Dr. Milton Obote here said, at the press conference that even more than these agreements, he cherished the renewal of contacts with Indian leaders.

He invited Indian businessmen to invest in his country promising them rich dividends. As per the government policy, all those who left Uganda during the regime of Idi Amin, could come back and reclaim their property, he said.

The agreements signed after the minister-level talks provide for Indian assistance in exploration of oil and mineral resources, establishment of industries and agricultural development.

The two countries have also decided to give each other the most-favoured-nation treatment in trade and to set up joint committees to promote greater trade and cultural exchanges.

Dr. Obote said that his country's sick economy needed a drastic surgery and he had come here for "blood transfusion." Indian government and entrepreneurs could help in rebuilding the Ugandan economy wrecked by the brutal regime of Idi Amin.

Both the President and the Prime Minister, Mrs. Gandhi were present at the signing ceremony held at Rashtrapati Bhavan. The two leaders also had a brief exchange of views again today during the luncheon hosted by Mrs. Gandhi in Dr. Obote's honour.

The trade agreement identified items of mutual interest. India could export industrial plant and machinery, transmission towers and poles, steel structural, spices, textiles, chemicals and pharmaceuticals and

electronics goods.

India could import from Uganda timber and wood products, copper, phosphates and super phosphates.

According to the agreement, the trade will be in freely convertible currency through normal banking channels. The two countries would also organise fairs for the promotion of bilateral trade.

Dr. Obote told a press conference that he and Mrs. Gandhi had expressed concern over the growing tensions in different parts of the world. One of the areas was the Indian Ocean where new weapons were being introduced.

In reply to another question, he said that his country was involved in national reconstruction and could not afford to waste time and resources on matters such as securing extradition of the deposed President Idi Amin.

## Cooperation, Trade Pacts

New Delhi PATRIOT in English 25 Nov 81 pp 1, 7

[Text]

**I**NDIA has agreed to help Uganda in exploration and exploitation of crude oil, natural gas and other mineral resources.

This is embodied in one of the several agreements the two countries signed in the Capital on Tuesday. The agreements were signed in the presence of visiting Ugandan President Dr A Milton Obote and Prime Minister Indira Gandhi.

The agreement, valid for a period of five years, underscores India and Uganda's mutual co-operation and assistance in economic, scientific and technical fields. It was signed by External Affairs Minister P V Narasimha Rao and Uganda's Minister of State for Foreign Affairs Dr A Picho Owiny.

According to the agreement, the two countries will work for setting up industries, including those in the small scale sector, and also for establishing joint ventures. They will further co-operate with each other in deve-

loping infrastructure industries like communication and transport.

The two countries have decided to cooperate in development of tourism, trade, agriculture and fisheries as well. The same agreement provides for training of personnel, grant of scholarships and for deputation of experts in economic, scientific and technical fields including supply of equipment.

India and Uganda have agreed to extend cooperation in scientific research, especially in the field of medicine. They will also explore possibilities of operating air services between the two countries.

India would also be giving advance training to Ugandan experts, scholars, scientists and administrators in this country.

### TRADE PACT

The trade agreement spells out the decision to constitute an Indo-Ugandan joint committee for speedy and effective implementation of a trade agreement

signed between the two countries at Rashtrapati Bhavan on Tuesday.

The two-year trade agreement, signed by Union Commerce Minister Pranab Mukherjee and his Ugandan counterpart, J M Agiro-Omara, grants the two countries most favoured treatment in matters of exports and imports.

The agreement envisages the organisation of trade fairs and exhibitions in each other's country.

Among other things, India will export industrial plants, machinery, spices, electric and electronic items. In turn India will im-

port from Uganda, timber and wood products, cobalt, copper and chemicals.

India and Uganda also signed a memorandum of understanding in the field of agriculture.

Under the memorandum, Uganda has sought cooperation of this country in the development and expansion of irrigated agriculture and assistance with the development of techniques and equipment thereof.

The memorandum was signed by Minister of State for Agriculture and Rural Reconstruction R V Swaminathan and Ugandan Minister of State for Foreign Affairs, Dr A Picbo Owiny.

CSO: 4220/7438



BULGARIAN ENVOY TELLS TRADE, COOPERATION PLANS

New Delhi PATRIOT in English 19 Nov 81 p 12

[Text] The Bulgarian pavilion at the International Trade Fair represents the country's leading industrial enterprises which offer promising export-import prospects.

Bulgarian Ambassador Tocho Tochev told a press conference on Wednesday to mark Bulgaria Day, that his government had already started active work for the implementation of the agreements on joint exploration of Third World markets and for setting up units in Bulgaria and India. The understanding was reached at the summit talks between Prime Minister Indira Gandhi and Bulgarian President Todor Zhivkov a few days earlier in Sofia.

The Ambassador announced that in a few days time an Indo-Bulgarian agreement for establishing a joint venture for production of fashion gloves in Haryana would be finalised.

The emphasis at the Bulgaria pavilion is on the engineering industry. A central place is devoted to machine-building.

Technoexport, the Bulgarian engineering economic organisation has displayed models of a brick factory, canneries and lines for production of juices and syrups. Also on display are a refrigeration chamber which is made up of panels for quick assemblage.

As one enters the pavilion, models of ships of different tonnage and purpose flank the sides. An exhibit which catches the eye is that of a 25,000 ton bulk cargo ship in whose production Bulgaria has been specialising in recent years.

The display of marble equipment is noteworthy as an agreement is soon to be signed between India and Bulgaria for the export of this machinery to India, Bulgaria will buy back the marble articles.

CSO: 4220/7421

## TRADE, COOPERATION PACT WITH MOROCCO SIGNED

New Delhi PATRIOT in English 21 Nov 81 p 5

[Text]

External Affairs Minister P V Narasimha Rao on Friday in the Capital signed an agreement on economic and technical cooperation between India and Morocco with visiting Moroccan Minister for Commerce, Industry and Tourism Ahmedine Guesboun.

The agreement, which is valid for a five-year period and can be extended from year to year by mutual agreement, stipulates that the two countries would work for joint realisation of technical and economic projects through cooperation between concerned organisations, institutions and enterprises on the basis of special arrangements.

These institutions and enterprises are due to collaborate in joint pre-investment surveys in mining, agricultural, tourist, in-

dustrial, energy, petrochemicals, fertilisers, chemicals, pharmaceuticals, transport and communications sector or any other branch of activity promising mutually beneficial cooperation.

The agreement also provides for organising training programmes for technical and professional personnel and also for deputation of experts and consultants for short and long-term assignments.

Both countries have agreed that any technical documentation or information supplied by the bodies of one of the contracting parties to the other party will not be communicated to a third party without written agreement of the concerned contracting party.

CSO: 4220/7427

## FURTHER DELAY IN MIRAGE PURCHASE FORESEEN

Madras THE HINDU in English 21 Nov 81 p 1

[Article by G. K. Reddy: "Mirage Deal May Be Further Delayed"]

[Text]

NEW DELHI, Nov. 20.

There is going to be some further delay in finalising the Mirage-2000 deal with France, since India has not yet made up its mind about the right mix of different types of high performance aircraft that would be required for the country's air defence during the next decade.

The Government has still to come to a firm conclusion about the number and proportion of Jaguar, MIG-23 and Mirage-2000 squadrons needed for interdictory and interceptory roles, bearing in mind the political factors, financial constraints and other considerations involved in arriving at such a decision.

It is only after taking this basic decision about the future size and composition of the Indian Air Force that the Government can clinch the Mirage-2000 deal. The Defence Ministry will need some more time to complete this complex technical exercise in the context of the changing security environment in the region.

Despite the running controversy over the wisdom of the Jaguar purchase, the Air Force is quite satisfied with the performance of this twin-engine strike aircraft. It was designed primarily as a low flying, Deep Penetration Strike Aircraft for bombing strategic targets well behind the enemy lines.

The IAF pilots flying the Jaguars are full of praise for them, although they are by no means the very latest in this particular category of bomber planes now in operation. These aircraft, however, meet India's requirements for the purpose for which they have been acquired.

The decision to go in for the MIG-23s, side by side with the Jaguars, was taken to give the IAF greater flexibility in its offensive and defence roles.

**Two types of MIG-23s**

The MIG-23s that India is acquiring from the Soviet Union come in two types, one for carrying out bombing attacks at low altitudes and the other for high altitude interception. The two versions can also be used for providing air support to the ground forces under battle conditions.

The Mirage-2000s that India proposes to buy to supplement the Jaguars and MIG-23s can be used as multirole aircraft for both low altitude bombing attacks and interception at high altitudes. This dual capability makes the Mirage-2000s, the most versatile aircraft now under production or development.

The IAF wants to equip itself with the right mix of these three types of aircraft — Jaguars, MIG-23s and Mirage-2000s — to be able to cope with different kinds of challenges to the country's defence.

It is only after the policy decision has been taken about the proportion of the three types that the Defence

Ministry can take a final view of the numbers required for the next decade.

Just as the British Aerospace had agreed to provide two or three squadrons of Jaguars leased from the RAF to meet India's more immediate requirements until the later versions were manufactured to Indian specifications and delivered in due course, the Marcel Dassault of France also has offered at one stage to make available an agreed number of Mirage 1s to fill the gap till the Mirage-2000s went into full production.

This offer is still open as part of a wider package for carrying forward the Mirage-2000 deal to the next generation Mirage-4000s, which would take another 10 years at least to develop and manufacture during the next decade.

The decision to acquire the Mirage-2000s and set up a production line in India would imply that India would also go in for the Mirage-4000s in due course, just as it has opted for the MIG-23s as a logical follow up of the MIG-21s that have served the IAF to its satisfaction.

The IAF is not evincing much interest in the Tornado, the successor to Jaguar which Britain is developing in cooperation with Germany, Italy and some other countries in Western Europe. The aircraft is considered too bulky for a multi-purpose role, which can be better performed in its view by the Mirage 2000 in the right proportion with Jaguar and MIG-23 in its two versions.

The IAF is planning to put on an impressive fire-power display at the Tripat Range near Delhi in April next as part of its jubilee celebrations.

GOVERNMENT, CANADA SIGN THREE LOAN AGREEMENTS

Bombay THE TIMES OF INDIA in English 22 Nov 81 p 1

[Text] New Delhi, November 21: Canada is to give India Rs 96.2 crores under three loan agreements signed in New Delhi today.

The loans are free of interest and service charges and are repayable over a period of 50 years, including a grace period of ten years.

With the signing of these agreements, the total amount of aid authorised by Canada during 1981-82 would be 145 million Canadian dollars or Rs 111.6 crores.

One of the three agreements signed today is for a loan of Rs 38.5 crores for the Agricultural Refinance and Development Corporation for agricultural refinancing activities, which include minor irrigation, animal husbandry, forestry programmes, fisheries and development of market yards. Small farmers would receive 60 per cent of the project funds.

The second agreement is for a line of credit of Rs 34.6 crores for the purchase of materials, equipment, machinery and services related to oil and gas exploration and development.

The third agreement is for a credit of Rs 23.1 crores for financing the purchase of materials, equipment, machinery and service related to the power sector.

The agreements were signed by Mr R. N. Malhotra, secretary in the department of economic affairs, and Mr Marcel Masse, president of the Canadian International Development Agency.

CSO: 4220/7428

## ECONOMIC RELATIONS WITH CZECHOSLOVAKIA REVIEWED

New Delhi PATRIOT in English 25 Nov 81 p 3

[Text]

**E**CONOMIC relations between the Czechoslovak Socialist Republic and India have a long tradition. After the First World War, Czechoslovakia supplied to India sugar mill equipment, Diesel generating sets, machine tools and some parts for power stations. In 1939, the first aluminium factory was built in Asansol with Czechoslovak cooperation. India at that time supplied to Czechoslovakia agricultural and tropical products and some special kinds of textiles.

After the Second World War, our relations have shown a remarkable progress. The Czechoslovak Socialist Republic continued supplying to India sugar mill equipment, power stations, cement plants and others. Up to 1967, the exchange of goods was based on free foreign exchange. Thereafter, a Clearing Agreement was signed which enabled great increase in imports and exports of both countries.

**INDUSTRIAL COOPERATION**

With Czechoslovak assistance, big industrial complexes have been built, namely, Foundry Forge Plant, Ranchi; Heavy Machine Tool Plant, Ranchi; Plant for production of steam turbines and generators in Ramachandrapuram (near Hyderabad) with a

capacity of 900 MW yearly, comprising units up to 110 MW; plant for production of steam boilers with a capacity of 900 MW in Tiruchirappalli, with boilers for units up to 300 MW, plant for the production of chemical and other equipment, Heavy Plate and Vessels Plant in Visakhapatnam, Machine and Tool Plant at Ajmer.

Furthermore, cooperation in the production of Zetor Tractors of 2511, 5711 and 5811 has been started with Hindustan Machine Tools Ltd., at their Pinjore Plant and the production of Zetor Super Tractors in Baroda. All the above mentioned plants are in the Public Sector.

The Czechoslovak Socialist Republic has also built many industrial plants in the Private Sector, among which the most important are plant for the production of motorcycles "Jawa" (now Yezdi) with M/s. Ideal Jawa (India) Private Ltd., Mysore; plant for the production of alarm clocks with M/s. Hindustan Equipment Suppliers, Bombay and plant for the production of Diesel injection equipment with M/s. K S Diesels Private Ltd., Rajkot. Altogether more than 60 big and medium industrial plants have been set up in India with Czechoslovak assistance.

**TRADE EXCHANGES**

The present exchange of goods is being carried out on the basis of Trade and Payment Agreement valid for the years 1980-84.

The main exports from Czechoslovakia to India are steel, engineering goods, namely components for the plants built with Czechoslovak cooperation, Diesel generating sets, machine tools, etc.

Czechoslovakia continues to buy from India coffee, manganese ore, iron ore, pepper, de-oiled cakes and started also to purchase consumer goods such as, textiles, leather goods, jute manufactures, cotton yarn and others. Negotiations are being carried out for the purchase of a wide range of engineering products from India.

**FUTURE PROSPECTS**

For further promotion of economic relations between India and Czechoslovakia, the Indo-Czechoslovak Joint Committee for Economic, Scientific and Technical Cooperation was set up and last year it held already its ninth session. Within the Committee, four Groups are functioning: Industrial Cooperation, Trade, Exchange, Electronics, and Scientific and Technical Cooperation. Within the program-

mes agreed, the Groups are trying to increase further the co-operation in the respective fields between the two countries.

As far as future is concerned, the Czechoslovak Socialist Republic is interested in further increasing the purchases of various products from India required by the Czechoslovak economy, like agricultural products, textiles, leather goods, jute manufactures, etc. Regarding exports, Czechoslovakia has very good possibilities in supplying to India power generating equipment, refineries, cement plants, plants for

production of fertilizers, machine tools, etc. At the same time, the Czechoslovak Socialist Republic is ready to extend further the range of products manufactured in the plants which have been set up with Czechoslovak assistance, and continue the supply of some materials like steel, refractories for steel plants, etc.

High delegation headed by Joint Secretary of Czechoslovak Ministry for Foreign Trade, Mr Jan Garcar. This delegation is going to sign the Protocol for the year 1962 during their visit to India.

CSO: 4220/7442



UN DELEGATE OPPOSES ISRAELI STAND ON PALESTINE

New Delhi PATRIOT in English 25 Nov 81 p 3

[Text] United Nations, Nov 24 (UNI)--India has condemned Israel's 'inhuman practices' against Palestinians in occupied Arab territories and called upon the international community to 'put a stop to any further abuse of their human rights.'

'Horrrifying reading' is how an Indian delegate has described a Special Committee report which gives 'accounts of ill-treatment and inhuman prison conditions of Arab security detainees,' in these areas.

The report, being debated in the Special Political Committee, reveals how the Israeli authorities have been increasing Jewish presence in the occupied areas and subjecting Arab civilians to a 'constant repression.'

The report says its authors found 'particularly disturbing' a recent Israeli statement that Tel Aviv would raise a claim to the 'sovereignty of Israeli over the occupied territories' in the near future.

Delegate Anand Singh, MP, yesterday said India viewed this situation with 'serious concern' and believed that the threat to international peace and security due to the Israeli practices and policy in this area 'is more serious than ever.'

Mr Singh said, 'My delegation condemns these inhuman practices.' In fact, we hold the view that Israel's prolonged military occupation of Palestine and other Arab territories by itself constitutes a fundamental violation of the human rights of the inhabitants.'

He said India has always been sympathetic to the Palestinian people and supported their cause. It believed that unless there was a just settlement of this problem there would be no peace in West Asia, or in the whole world.

India was for a comprehensive settlement which envisioned a 'total and unconditional Israeli withdrawal from all Arab territories occupied since 1967, including, the Holy City of Jerusalem' Mr Anand Singh said.

He said the other elements in such a settlement would include the recognition of the inalienable rights of the Palestinian people, including, the right to establish an independent state in their home land.

'Until their inalienable rights are restored to the Palestinian people it is the duty of the international community to put a stop forthwith to any further abuse of their human rights.'

## REASONS BEHIND RAO VISIT TO NEPAL DISCUSSED

Bombay THE TIMES OF INDIA in English 23 Nov 81 p 20

[Article by L. K. Sharma]

[Text]

NEW DELHI, November 22  
INDIA will assist Nepal in setting up two plants for the production of iodised salt and for the establishment of a water supply scheme.

Agreements for these projects are expected to be signed during the external affairs minister, Mr. P. V. Narasimha Rao's visit to Kathmandu beginning on Friday.

It is basically a goodwill mission since India's relations with this Himalayan kingdom have been stable, reflecting the close geographical, historical, cultural and economic ties. The King of Nepal paid a state visit to India last year. He held extensive talks with the Prime Minister, covering mainly bilateral economic co-operation, especially for the use of the immense water resources of Nepal.

The two sides also agreed to demarcate their boundary in a spirit of mutual trust and co-operation in view of the fact that several boundary pillars had been damaged over the years.

The approach of the two countries on issues such as Afghanistan and Kampuchea varies slightly but there have hardly mattered in their relationship.

## ZONE OF PEACE

The King's proposal for Nepal as a zone of peace has been studied carefully by India which, however, favours the idea of a region, rather than a single country, being declared as a zone of peace. Curiously, China and

Pakistan have welcomed Nepal's proposal.

India has appreciated the King's efforts to re-introduce a measure of democracy in Nepal through an electoral system based on adult franchise.

India has also noted with satisfaction the way Nepal did not allow itself to be dragged into a controversy by Bangladesh, which had, at one stage, tried to internationalise the Ganga waters issue by involving Nepal. Bangladesh wanted Nepal to be a party to a plan envisaging a series of storage dams across a Ganga tributary as part of a multi-purpose scheme.

Nepal understood the political motive behind the Bangladesh move and took the stand that it could be brought into the picture only at the joint request by both India and Bangladesh.

India's assistance has been directed since the beginning towards building up of infrastructural facilities in the sectors of transport, communications, land development and power generation.

The exploitation of water resources of Nepal has been hampered by, among others, psychological constraints. However, of late, things have started moving and an agreement for joint investigation of the Pantherwar project has been signed. Another agreement on detailed investigation of the Karnali project has also been reached and discussions on other river projects including the Rapti and the Kosi are under way.

The Surajpura hydel project was

handed over to Nepal by India a couple of months ago. Construction of the Devighat hydel potential has been estimated at 60,000 Mw.

Nepal has an adverse balance of trade with India but it is mainly because the potential for industrial co-operation and development of Nepal's water resources has hardly been tapped. India has a big market for Nepalese products and it could become a major buyer of the hydroelectric power that can be generated in Nepal.

A joint cement venture could benefit from the complementarity of the two economies. Nepal's limestone reserves and India's coal could be put to use for this major project which will have a ready market in north India. The project has been under discussion for long but like many other such projects, it has yet to get off the ground.

The two countries could fruitfully collaborate in the area of paper and pulp based on the large forest resources of Nepal. A project for the manufacture of power tillers in Nepal could be another joint venture.

India has been supplying some essential items to Nepal, sometimes ignoring the domestic requirements. In its economic relations with Nepal, India has always tried to accommodate the Nepalese point of view and in 1978, it agreed to sign separate treaties on trade and transit.

In trade relations, there are some routine problems such as delays in the release of Nepalese consignments and India's complaints of smuggling of some items into India via Nepal.

## REPORTAGE ON FOREIGN MINISTER'S VISIT TO NEPAL

27 November Banquet

Bombay THE TIMES OF INDIA in English 28 Nov 81 p 9

[Text]

KATHMANDU, November 27  
(PTI).

**I**NDIA today cautioned against forces of destabilisation and elements which tended to disrupt Indo-Nepali friendship.

The external affairs minister, Mr. P. V. Narasimha Rao, who began a four-day official visit to this strategic Himalayan kingdom, pledged India's commitment to remain on guard against such forces and elements, "both internal and external" which tended to disrupt this friendship.

Mr. Rao was speaking at a banquet hosted in his honour by Nepal's minister for panchayat, Mr. Navraj Subedi. The banquet was preceded by talks between Mr. Rao and the prime minister, Mr. Surya Bahadur Thapa.

Mr. Rao stressed that countries of the region must under no pretext "become a catpaw in the game of great powers".

Mr. Rao said the success of "our efforts, whether collectively or individually, can only be brought about in the context of harmony and amity, globally, in general, and in our region, in particular."

He said, "but events seem to be moving away from peace which we so eagerly and avidly desire. All around us, therefore, there is a rapid escalation of tensions aimed at destroying the harmony and tranquillity of our area."

Mr. Rao said, "Through the long period of interaction between our two peoples, it had been established that India and Nepal 'are as close to each other as any two countries anywhere in the world could conceivably be. Consequently, we both have an in-built interest in the success of each other's efforts and endeavours'."

Proposing a toast to Mr. Rao, Mr. Subedi said his visit underlined cordial and close neighbourly relations between India and Nepal.

He said the bond of friendship had been further strengthened in recent

years by mutual trust and understanding and common aspirations of peace and development.

Mr. Subedi said Indo-Nepali friendship was bound to be strong and enduring because it was based on principles of peaceful co-existence, sovereign equality, respect for each other's territorial integrity and non-interference in each other's internal affairs.

He spoke of Nepal's seven-year-old proposal for declaring this Himalayan kingdom a zone of peace and added, "We seek understanding and support of our friendly countries to this peace proposal as we have been seeking their cooperation in other matters of mutual concern".

Mr. Rao said in modern times, both India and Nepal had embarked almost simultaneously upon the most vital and challenging task of economic development. "In its contemporary dimension, it involves a shared perception of the mutuality of interest between the two countries and I believe that as this perception increases, our age-old ties will receive an even greater impetus and will acquire a further momentum of their own."

Mr. Rao said India had reached a stage of industrialisation and availability of scientific and technological manpower where it was possible for her to share her experiences with friends, particularly from the developing world. "I have no hesitation in assuring your government of our continuing support for your objectives in this direction."

Mr. Rao said India was conscious of Nepal's "special difficulties as a fellow developing country and we hope to be of assistance in tackling the problems faced by your country, including those in the vital fields of trade and transit."

The minister pointedly stated that the concept of collective development, inter-dependence and mutuality of interest is the keyword in economic lexicon of our times, and our part of the world simply cannot remain immune to these concepts."

## Meeting With Birendra

New Delhi PATRIOT in English 30 Nov 81 pp 1, 7

[Text]

KATHMANDU, Nov 29 (UPI) — King Birendra of Nepal today expressed satisfaction at the 'positive and constructive spirit' which now characterises Indo-Nepalese relations. High level 'useful contacts' between the two 'close and friendly' neighbours should continue to forge still stronger bonds of friendship between them, the King said.

These sentiments were expressed by the King when External Affairs Minister P V Narasimha Rao called on him at the Narayanhiti Palace this evening.

Mr Rao conveyed to King Birendra and Queen Aishwarya personal messages of greetings and good wishes from President Sanjiva Reddy and Prime Minister Indira Gandhi. The King told Mr Rao that he looked forward to Mr Reddy's State visit to Nepal beginning on 7 December.

During his 40-minute audience with the King, Mr Rao conveyed to him the gist of discussions he had during the last three days with Nepalese leaders on important bilateral matters and on the developing regional situation.

While Mr Rao was meeting the King, officials of the two sides met again to review their bilateral trade and transit arrangements and discussed the joint venture project now under consideration. They decided to remove all procedural and technical problems that were affecting the early implementation of these projects.

The Indian side told Nepalese officials that delays in release of goods bound for Nepal at Calcutta Port were being caused because of scanty information supplied by Nepalese importers. This question would also be resolved soon, they said.

The two sides undertook to

start 'a new chapter in mutual trust and confidence building' and agreed to work jointly to maintain peace and stability in the region.

Both sides have also agreed to give a 'new content and meaning' to their growing bilateral economic and technical cooperation, including sharing of their water resources in a bilateral context.

Official spokesmen of both sides today said these 'positive and constructive' decisions had emerged from three days of the wide-ranging 'frank and cordial talks' between External Affairs Minister P Narasimha Rao and Nepalese Prime Minister Surya Bahadur Thapa and other leaders.

### MAJOR GAINS

Although the two sides differed on their perceptions of the Afghanistan question and on the Nepalese proposal for making the kingdom a zone of peace, there was 'a fair measure' of agreement on how to tackle the problems of South Asia.

While Mr Narasimha Rao said the visit was 'successful and constructive,' a Nepalese Government spokesman said it had helped both sides to understand each others' concerns and approaches to the strategic situation in the region and the idea of a zone of peace for Nepal.

The major gains of the visit were Nepal's conviction that India was deeply interested in ensuring the security of the Himalayan Kingdom and its agreement to harness water resources bilaterally, marking a major change in its earlier stand.

Mr Rao and Mr Surya Bahadur Thapa agreed that given the critical and insecure international situation, the countries of the Indian sub-continent should remain in touch with each other.

### ASSURANCE

Nepalese Prime Minister Surya Bahadur Thapa during his talks with Mr P V Narasimha Rao, yesterday had raised the question of his country being declared a zone of peace.

Mr Rao assured Nepal that it had nothing to fear from India which was deeply interested in its security and stability.

The exchange of views of this subject and the strategic situation in the region took place at an unscheduled dinner which Mr Thapa hosted here for Mr Rao last night to have another round of talks with him.

Nepal wanted India to endorse its peace proposal as other countries like China, Pakistan and Bangladesh had done.

Mr Rao explained to Mr Thapa that since a treaty of space-peace and friendship already existed between the two countries which ensured the security of Nepal, the Himalayan kingdom was in effect already a zone of peace.

Mr Thapa suggested that Nepal was sandwiched between two big countries—India and China—and that sophisticated arms were being inducted into the region. He said Nepal did not want to be sucked into the armaments race which it can ill afford at this crucial junct.

India today warned its neighbours that attempts to weaken or embarrass it would be counterproductive and unwarranted.

None of the countries in the region stood to gain anything by India being weakened in any way. External Affairs Minister P V Narasimha Rao said in a major address here.

Addressing prestigious Nepal Council of World Affairs Mr Rao said that India's hand of friendship remained extended to all its neighbours whom it wanted to be stable and prosperous.



## 'PATRIOT' EDITOR WRITES ON SINO-INDIAN TIES

New Delhi PATRIOT in English 24 Nov 81 pp 2, 8

[From a series of articles by PATRIOT editor R. K. Mishra on his visit to the PRC]

[Text]

**D**URING my discussion on Sino-Indian relations with officials and non-officials in China, I tried to understand the framework of Beijing's approach towards New Delhi. Given the complexities of the present world scene, it would have been a fruitless exercise to cling to a stray comment or a subtle hint with a view to expand into a sensational news story. It was more important, at least in my view, to correctly delineate the context in which the present Chinese leadership situates the future of its relationship with this country.

An analysis of the shifts in domestic and foreign policy positions of China since 1949 clearly indicates that, notwithstanding the changes in its composition, the Chinese leadership has remained surprisingly free from rigidity, inflexibility and dogmatism. Had this trait been given due weight in the evaluation of China's response, we could have spared ourselves the subsequent shock and dismay at Beijing's massive and flagrant violation of our territorial integrity. But the spoken word is regarded as sacrosanct in the Shruti-Smriti tradition of our culture and therefore it was but natural for many of our countrymen to assume that the euphoric Hindi-Chini Bhai regime would endure for ever. It is not

easy to erase the memories of the 1960-62 experience from the Indian mind; but a nation and its people cannot afford to live always in the past and must endeavour to carve out a better future on the foundations of a bitter past.

There is a strong tendency in some quarters in our country to speculate on whether the Chinese leadership is sincere in its expressions of desire to improve relations with India. This is a meaningless exercise. Irrespective of the many changes that have occurred in China's policies and postures, there is one factor which has remained unaffected by these changes: the commitment of the Chinese leadership to what it perceives as its vital interest at a given point of time. Everything else can be and is sacrificed at the altar of this crucial consideration. Therefore, we should resist the temptation of trying to speculate about Chinese minds; instead we should employ our diplomatic and other resources to identify what the present Chinese leadership perceives as its vital and paramount interest at the present moment. The extent of their interest in the improvement of relations with India can be measured in proportion to the extent such a course would serve this objective. To hope for more would be wishful thinking; to fear less

would be shortsighted.

As a mature nation, with many a sweet and sour experience to guide us, we should also be clear about our vital interests. The success of Indian diplomacy will lie in our ability to communicate to the Chinese counterparts our commitment to the pursuit of our own interests. The progress in improving mutual relations will depend on the extent to which we can convince them that those basic interests are non-negotiable and that the framework of future relations between the two countries must conform to those interests.

This is by no means an easy task and the many responses of my Chinese friends to questions on this score revealed that a patient, persistent and unambiguous exposition of Indian viewpoint will be necessary before Beijing begins to fully appreciate the intensity of our stated positions. Let us take, for example, India's concern at the massive supply of US arms to Pakistan and Washington's complicity in building General Zia-ul-Haq's war machine. It is no secret that so far the Chinese had not only supported, but even encouraged the arms build-up in Pakistan because they thought a militarily strong Pakistan could be used as an instrument to keep up the pressure on India. Now that they have de-

clared that they would like to improve relations with India, the Chinese leaders no longer take this hostile position. On the contrary, the Chinese Prime Minister had advised Islamabad to develop friendly ties with our country. A leading Chinese official told me that in private talks they had conveyed to Pakistani leaders the desirability of establishing good neighbourly relations with India.

But this does not mean that they disapprove of the supply of US arms to Pakistan. On the other hand, Beijing supports the move, albeit for a different reason. The argument now advanced is the presence of Soviet troops in Afghanistan. And the Chinese would like India to 'appreciate' why General Zia must have the military hardware he is getting from the Reagan administration. The Chinese official did not make a secret of the fact that China has begun to favour 'friendly relations' amongst the countries of the subcontinent because of Afghan developments. Thus we find that Beijing is still unable to appreciate that by pouring in arms on a big scale and oiling Pakistan's military machine, the United States is seriously undermining peace and tranquillity of the region.

Objectively therefore, Beijing's stand comes into conflict with India's perception of the situation in the subcontinent and its vital interests. I could not resist the temptation of reminding this senior Chinese official that when in the past India objected to US arming of Pakistan, the then US Secretary of State John Foster Dulles had claimed that the arms were not to be directed against India; these were aimed against the threat of communism from the North: (the source of this threat was China at that time). In practice, however, the arms were used more than once against India. The Chinese spokesman did not contest this fact, but hedged a direct response by observing that "we will not like to sit in judgment on disputes between India and Pakistan".

It is good as far as it goes. But it should be obvious to Beijing that the best guarantee of Pakistan's security is a friendly India and not US arms which in fact, are likely to jeopardise it. It should also be clear that a strong and stable India is of paramount importance for the security and stability of the countries of the region. This crucial element is not yet discernible in the Chinese perception of New Delhi's place and role in the affairs of the subcontinent. This alone explains its willingness to acquiesce in and support outside intervention, by the US in this case, as against a durable structure of regional amity and cooperation. The same perception influences Beijing's stand on the Indian Ocean.

It is interesting that from Deng Xiao-ping downwards all Chinese spokesmen have blamed Khrushchev for the deterioration in Sino-Indian relations in the fifties. This is, of course, a grave error in the Chinese estimate of the exercise of its sovereignty and independence by our country. It could also be an attempt to find a scapegoat, instead of acknowledging that they had done a wrong to this country at that time. The Chinese would react violently if someone said that their policies were being determined by Washington and that their strategic relationship with the US was a proof. Unfortunately, the Chinese policy makers are unable to conceive the intensity of our reaction when they make such insinuations. As a first step towards any meaningful talks on regional and bilateral matters, Indian spokesmen would have to persuade their Chinese counterparts to treat this country as an equal. Independent and sovereign power which cherishes its ties with time-tested friends; but which would not countenance any reflection on its independent status.

The concept of united front and of dealing with one—the principal—enemy at a time is the guiding principle of Chinese statecraft. Beijing tends to

divide the world between principal enemy and others and it also views peace as an interregnum before an inevitable war. On the contrary, India has pursued a policy of friendship with all nations and it has always tried to have some interaction and intercourse even with countries which have been inimical to her. In the Indian world view, peace is a cherished objective which is inexorably intertwined with the progress and development of entire mankind. From these two perceptions, flow two different strategies of conducting international relations. But we must recognise that China is entering into international areas after a long period of seclusion and hopefully many of its perceptions may be modified as it gets exposed increasingly to international opinion and reactions to its positions.

For example, many Chinese friends acknowledge that they did not have enough understanding of Indian institutions and processes. A greater understanding of Indian polity and the roots of our nationalism should enable a section of Chinese policy makers to disabuse their minds of the assumption that the period of no-hostility-no-normalisation could give them an opportunity to build a lobby in their favour. Even the United States, with a massive induction of funds and ties in economy, academic life and elsewhere, is unable to build a lobby which could divide the great mass of our people on issues which are of vital national interests. Any other country has lesser chances of succeeding in such an enterprise. Of course, it is possible to get some pliable elements on the fringe; but those who exaggerate their importance in influencing public opinion indulge in self-deception. This is also true of China.

The last thirty years have also shown that our policy has a remarkable capacity to absorb dissidence and to evolve solutions of seemingly intractable internal conflicts; though on occasions such processes are time-consuming and make exacting demands on our patience and



forbearance. But to hope that an external power can take advantage of such internal tension and conflicts for its own advantage is likely to lead it into self-defeating and dangerous policy-alloys. Geography has made India and China neighbours. It is desirable that we should understand China and also enable Chinese policy makers to see India correctly and not let their policies and attitudes be formulated under misconceived notions about firmness of our will; both in striking genuine friendship and safeguarding our interests. This is a game of patience. The road from Delhi to Beijing is tortuous; we must negotiate it with self-confidence, sincerity and alertness. It cannot be covered in a sudden long jump and definitely not by compromising national honour and interests.

CSO: 4220/7439

## USSR NEGOTIATING PURCHASE OF INDIAN TEXTILES

Bombay THE TIMES OF INDIA in English 22 Nov 81 p 1

[Article by Debashish Munshi: "Big Soviet Order for Cloth Likely"]

[Text] Bombay, November 21.

The Union commerce ministry is negotiating with the USSR government on the export of a record 500-million-square metres of cotton textiles to that country, according to textile sources here.

The Russians are reported to have placed the bulk order with India because the current troubles in Poland have resulted in the inability of that country, to honour its trade commitments fully.

Poland, the largest exporter of cotton textiles to the USSR, has been plagued by more than a year of strikes, food shortages and a foreign debt amounting to nearly \$27 billion. In fact, 'TRYBUNA LUDU, the Communist Party newspaper, is reported to have stated that the country's industrial production in October was 14.5 per cent lower than in the corresponding period last year.

Poland's loss may well prove to be a shot in the arm that the textile industry here has been waiting for because of the extremely sluggish cotton textile market prevailing in the country for a long time.

Although a spokesman for the Cotton Textile Export Promotion Council (TEXPROCIL) would not comment on the negotiations with the Russians, he said that they were showing greater interest in Indian textiles than ever before.

The trade plan drawn up by the Central government in December last year had envisaged an export of a mere 109 million metres of cotton textiles to the Soviet Union. But the Russians are reported to have already lifted 145 million metres from this country.

Textile magnates and merchants are understandably excited over the prospect of a bulk export order because the industry has been passing through the worst financial crisis of the decade, with the demand for cloth falling despite attractive incentives in the form of rebates.

The pre-Divali portents of a market revival were belied as the textile industry slid back to the sluggish level of activity that prevailed between July and October. Much to the dismay of the traders, stocks have once again started piling up.

One of the most baffling problems in the textile economy was to ascertain the causes for fluctuations in the demand for textile products, a retired official of the Indian Cotton Mills' Federation said. He said that it was not the first time that the industry has been in the doldrums. It was only a part of the business cycle, he added.

However, he said that the fall in per capita consumption of cotton textiles could be attributed to certain extraneous factors. With a number of consumer durables like television sets, watches and refrigerators flooding the market, the upper class consumers were left with less money to buy textiles.

Moreover, he said, the durability of polyester and cotton polyester fabrics had made them more popular with people.

Some experts believed that a steep increase in the prices of foodstuff often led to a fall in the demand for textiles because the consumers were forced to cut down on their expenditure on non-food items.

A survey conducted by a market research agency could not, however, discern any link between the textile industry's fortunes and economic indicators like agricultural production and wholesale price indices.

CSO: 4220/7428

## IMPORTANCE OF SILICON CHIP TO NATION DISCUSSED

Bombay THE TIMES OF INDIA in English 23 Nov 81 p 15

[Text]

NEW DELHI, November 22.

**W**HETHER India should make its own large-scale integrated (LSI) chip or continue to import it will be one of the major items to be discussed at the six-day UNESCO international workshop beginning here tomorrow.

The workshop will also discuss the relevance of silicon and other semiconductor devices in the technological and economic growth of developing countries with particular reference to India.

The conference, which will be attended by 400 leading scientists from 21 countries, is being held at a time when the government has come to realise the need for the mass production of consumer electronics goods, since that alone will generate demand for components on a large scale — in terms of millions of pieces of each component.

## FOREIGN LICENCE

Only then would it be possible and worthwhile to manufacture in the country the basic components which now have to be imported or manufactured under foreign licence by local assembly units. UNESCO's committee on science and technology in developing countries (COSTED) has sponsored the conference in co-ordination with the Solid State Physics Laboratory (SSPL) of the ministry of defence to enable developing countries to assess their capabilities in the area.

According to Dr. S. C. Jain, director, SSPL, the workshop will help identify spheres of sophisticated electronics in which developing countries depend on imported know-how and those in which they could make a start in developing their own technology.

Such a discussion is crucial for a country which today is poised for major breakthroughs in several areas, especially in exploiting the country's unlimited potential in silicon, the basic raw material of the various electronics, communications and alternative energy devices. India can now make its own electronic grade silicon and the first generation chip. With some investment in research and development, it can make its LSI chip.

The workshop will also discuss

various other aspects of the technological applications of semiconductor devices in defence, communications and rural development through the utilisation of solar energy.

Some of the more sophisticated applications of the chip may not be of immediate importance for India and other developing countries. However, there are other applications without which their development will be impeded. In this class are the applications of the chip in communications, transportation, control of industrial plants and defence industry.

The chip is inexpensive, reliable and provides so much of processing power that it has become all pervasive.

It is quite clear that any nation which has a sizable urban population, which has the heavy industry, the kind India has and wants to develop it further and which wants to achieve self-reliance in defence, cannot do well without the extensive use of very large-scale integrated VLSI microprocessors.

The chip has already played a significant role in a variety of ways. It is responsible for the rapid growth of LCD digital watches and foolproof 35 mm cameras. It has simplified the manufacture of highly sophisticated consumer goods like sewing machines, mini-calculators and automobiles.

## FAMILIAR SIGHT

The chip controls extensive manufacturing processes and large plants without the need of human attention. It is due to the chip that computers are no more central installations in ivory towers. For researchers, chips are becoming as familiar as pencil and paper. They help the housewife do her shopping in a grocery store. A mini-computer helps tourists translate foreign languages when they go to other countries.

The "word processor" has brought about a revolution in the office. Information is first typed with a keyboard similar to that of a typewriter. One can check, edit, modify and revise this information. The machine then types faultlessly and rapidly. This machine is now being superseded by the "communicating word processor" which will type the information at several remote locations at a speed ten times faster than that of the

existing telex systems.

In the automobile industry, the chip has provided digital speedometers, automatic checking of the correct mixture of air and fuel, of the engine temperature and the idling speed. It detects faults and takes corrective measures. It warns the driver of an impending accident and either slows down the speed or changes the direction of the car to avoid an accident. It does it much faster than human reaction will permit.

The chip is giving rise to new activities and new possibilities. Gadgets are being developed which will remove the sufferings of the old and physically disabled persons.

## ELECTRONIC EYE

The revolution brought about by the chip in the defence industry is even more far-reaching. With the help of VLSI (very large-scale integrated) circuits, a new equipment being developed is much lighter, more reliable, rugged and insensitive to large temperature changes as well as other detrimental environmental effects. A new device, known as the charge-coupled device (CCD), was invented in 1970. This is a microelectronic "eye". It can "see" objects on a very bright day as well as a cloudy one.

It has made it possible for accurate homing of missiles, day and night ground-based as well as satellite surveillance and a real-time observation of the selected enemy area at any time. CCDs are also being used for a variety of other applications such as in studies of the nocturnal behaviour of animals, under water imagery and improvement and versatility of Hi-Fi entertainment equipment.

The silicon solar cell is the most effective and inexpensive method to produce electricity directly from solar energy in remotely located, scattered and sparsely populated Indian villages. The cost of one watt of power has decreased from some Rs. 2,000 five years ago to about Rs. 20 today. Even at this cost it is possible to provide at least 1,000 watts to a village for a community centre. This centre could consist of an electrically illuminated reading room, a radio, a television and perhaps an electric sewing machine. Special efforts in American "Indian" villages have already proved successful.

## PRESS REPORTS PROBLEMS OF FOREIGN COLLABORATION

## Finance Official's Speech

Calcutta THE SUNDAY STATESMAN in English 22 Nov 81 p 7

[Text]

**NEW DELHI, Nov. 21.**—Private foreign investment was today officially estimated at Rs 2,500 crores, Minister of State for Finance, Mr S. S. Sisodia, sought to dispel the impression that India did not need or welcome foreign investment. India welcomed foreign investment as an instrument or vehicle for the transfer of technology, he asserted.

Mr Sisodia, who was addressing a seminar on investment opportunities in India, said that during the past 30 years, more than 6,500 collaboration agreements had been approved by the Government. Many of these involved foreign equity investment.

About 1,000 foreign firms from countries like the USA, Britain, West Germany, France, Switzerland and other European countries, as well as Japan, had made investments in India or entered into licence arrangements for the transfer of technology, he said.

While the foreign investment policy was linked with the inflow of foreign technology, this had been modified in the case of the oil-exporting developing countries. Nevertheless, foreign investment in India had necessarily to be on a selective basis.

Requirements had changed over the years. In the earlier stages of India's development, foreign technology was required even for consumer goods. Later, emphasis shifted to intermediate products and capital goods. As indigenous capabilities were further developed, India began to import more sophisticated or advanced technology, Mr Sisodia said.

Despite India's industrialization in the past three decades, it continued to need foreign technology, either for upgrading its existing technology or the manufacture of new products and adaptation of new processes, particularly in the field of energy.

Mr Sisodia said that an area of

particular interest from the point of view of foreign investment was the export sector, for which India offered tremendous advances and incentives.

Foreign investment was also needed for the public sector, which was, in fact, set up with foreign collaboration. Foreign technology may be required by some of the existing units, as well as the units being planned.

Mr Sisodia pointed out that the development of the public sector would lead to the creation of a number of downstream industries for investment by the private sector, and this would require the import of technology and foreign investment.

The Minister said that foreign investment in India was safe, as the Government did not follow the policy of nationalization for its own sake. India also had a unique record of honouring international obligations, particularly in respect of repatriation of royalties and engineering fees.

Returns from foreign investment had been good. For example, in a study of 30 U.S. companies in India, they had shown a net profit after tax as a proportion of net worth that was nearly 20% in 1980.

In 1980 alone, the Government had approved as many as 526 foreign collaboration, the highest in a single year since Independence. Another 168 foreign collaboration agreements, 25 with foreign equity participation, had been approved in the first six months of 1981.

Madras THE HINDU in English 26 Nov 81 p 8

[Article by N. N. Sachitanand: "Foreign Funds Technology: Bureaucratic Delays and Complex Procedures"]

[Text]

**W**HILE addressing a seminar on 'Investment Opportunities in India' in New Delhi the other day, the Union Minister of State for Finance, Mr. S. S. Seodia and his colleague in the administration, Mr. R. N. Malhotra, Secretary, Department of Economic Affairs, painted such a hospitable picture of India that one would expect foreign technical collaborators and investors to be elbowing each other in the rush to get a foot into the country.

Those unfortunate Indian investors who have been intrepid enough to buck the bureaucracy in order to start an industry with foreign collaboration or investment have a very different tale to tell. Whose tale is more credible can be gauged from the fact that there really is no queue of foreign investors standing at India's doorstep.

Mr. Seodia talked in glowing terms of the substantial returns on their investment earned by foreign investors in Indian industry while Mr. Malhotra, in his keynote address, spoke in equally roseate terms about the tax and price structures in the manufacturing sector. The participants conveniently glossed over the fact that the fruits of low taxation (is it really low?) and the return on investment are possible only after a unit is in production. And that is where lies the rub.

#### Time-consuming

Thanks to the thorny thicket of regulations behind which the bureaucracy functions and the fact that every minor cog in the wheel of the administration functions as if it is the big wheel itself and at its own sweet pace, it takes anywhere between three to five years for a project involving foreign collaboration/investment to get all the clearances on paper. In theory, it should take only 120 days at the most for a letter of intent to be given for the industrial project (remember the famous C. Subramaniam declaration) but the minions of the Industry Ministry have their own sense of time, particularly when it concerns a project with foreign collaboration.

If the entrepreneur gets the LOI within a year, he should be extremely lucky. If the applicant is an MRTP Company, then there is no knowing when it will receive the LOI for the MRTP Commission has to have the first swing at the project and the nod from it may take anywhere up to two years.

#### Capital goods clearance

Getting the LOI is only the first hurdle cleared. The foreign know-how to be obtained has to be cleared by the national laboratories which seem to have developed so many products and processes (on paper) that it is a wonder Indian industry needs any foreign know-how. If the entrepreneur gets 'go ahead' from these institutions, he has to approach the Ministry of Commerce for capital goods clearance in order to apply for the import licence for the machinery needed.

Here again, the entrepreneur can tie himself up into knots for, if the C.G.C. is against the tied credit of a particular currency, the procedures are so complex that by the time the clearance is obtained, most probably the period of the credit would have expired and he will have to run around trying to get an extension of the same.

On the other hand, if the capital goods are to be imported against free foreign exchange, it is most likely that the entrepreneur will have a tough time getting the requisite amount.

If the project involves investment by the foreign partner, then it has to be cleared by the Foreign Investment Board. From the pronouncements made by Ministers and bureaucrats one would expect that foreign investment would get the red carpet treatment. But no, try to get an FB clearance for your project and see how cagey and reluctant the Board can be.

Getting the CGC and the Industrial Licence which has to be converted from the LOI is only half the battle won. Now come the jousting with the RBI whose permission is needed for inward remittance of investment and for payment of know-how fee. Then back goes the ball to the Ministry of Industry — this time to the DGTI for a decision on the number and type of foreign technicians that can be 'imported' for the project and the duration of their stay.

#### Needless exercise

A wholly unnecessary exercise this, for no sane entrepreneur would load his project with costly foreign technicians unless absolutely necessary. Nor does the very temporary stay of foreign technicians for getting the project going preempt the eventual permanent employment of Indian technicians.



After the appointment of foreign technicians is approved, the Ministry of Industry has to issue income tax exemption certificates for them and the entrepreneur better pray that the Ministry of Finance does not find a flaw in them at a later stage. The RBI bobs up again at this stage of the proceedings to sanction the foreign exchange needed for the air tickets of the foreign technicians — a minor matter but nonetheless important.

#### Single window

A well meaning person, ignorant of the ways of the administration, may well ask, "Why cannot the processing of all clearances be started simultaneously?", or else, "Why cannot there be a single window in the Ministry of Industrial Development, through which the entrepreneur can operate and get all his clearances?" The fact is that these sensible solutions have been mooted time and again but then, they involve the diminution of importance of the cogs in the administrative wheel (plus the inevitable disappearance of the jam to their bread and butter earnings) and this they will never permit — development or no development.

For a buccolic people, a year or two more makes no difference for after all, the seasons do not change. But the potential collaborators and investors in developed countries belong to a technological society where time means money and the rate of obsolescence is high. They cannot tolerate a laggardly set-up which is not only lazy but also totally unresponsive to any communication except direct prodding or greasing.

(One entrepreneur told me that he has to make an airdash to Delhi almost once every three months during the three years that his collaboration proposal was stewing in the corridors of the capital).

#### Technological race

As a Japanese manager put it recently: "You people don't seem to appreciate the significance of the technological race and the inflationary spiral. Why, by the time you have cleared a project, the technology you wish to borrow will have already become obsolete and the project costs will have escalated beyond recognition."

An Indian entrepreneur remarked, "Look, these foreign collaborators and investors want quick returns. If they offer a know-how today, they want the royalty payments flowing in from tomorrow, not three to four years from hence. If they go to Singapore, Hong Kong or Malaysia or Taiwan or South Korea, they can start construction within a month of the initial application."

Unless the administration is attuned to the pace and efficiency of an industrial

culture, India will remain a low priority choice for the foreign investor and collaborator. If at all India has managed to attract foreign know-how and investment it is not due to the administration or the tax policies or pricing structure but to the perseverance of the entrepreneur and the good reputation abroad of the skill and quickness of uptake of Indian technicians and engineers.

#### Guidelines

So much for the general picture. Now for some particulars with respect to technology collaboration put forward by the Association of Indian Engineering Industry.

These are outlined in brief below.

(1) The Government of India's industrial policy of 1977 has only one set of guidelines to assess technology collaboration proposals. These guidelines should be redrawn to reflect three different categories of technology, namely:

(A) products where the cost of developing technology is very high.

(B) low cost product technology but high cost manufacturing technology.

(C) low cost technology for product or process.

The guidelines for each of these categories could indicate varying percentages of royalty and periods of agreement.

(2) The 1977 Industrial Policy authorised the administrative Ministry to approve collaborations without reference to the Foreign Investment Board where the foreign exchange outgo on account of lumpsum payment and/or royalty would not exceed Rs. 50 lakhs in aggregate. Due to inflation, this limit needs to be enhanced now to Rs. 1 crore.

#### Royalty computation

(3) The definition of net selling price for the purpose of computation of royalty specifies deletion of (i) standard bought out components and (ii) components imported irrespective of source.

In the case of (i) it must be understood that even though a standard bought out component may be used in the product manufactured under collaboration, the collaborator's technology is required to integrate the standard component into the end product.

Thus exclusion of the value of the bought out component for purposes of royalty calculation may be deemed unfair by the collaborator. It is suggested that even if standard bought out components have to be excluded for calculating the net selling price (on which royalty is based), there should be a reasonable percentage (to be negotiated by all parties and the

Government), of the end product price to which such exclusions should apply. Collaborators will not be interested in proposals with very low returns.

In the case of (i) there is the temptation for the Indian partner to bypass the collaborators and procure imported components directly from other international sources, in order to minimise royalties. Thus, a feeling of distrust creeps in between the Indian and foreign companies, boding ill for the collaboration. It is better to exclude imported components from the value of the net selling price when such components are procured from the collaborator or with his approval from any other source.

#### **Unnecessary harassment**

(4) There should be no restrictions on payment of lumpsum fees to the collaborators other than those stipulated in the agreement as approved by the Government. The move by the administrative Ministry to insist on compliance with application for importing capital goods before releasing payments for technical data amounts to unnecessary harassment.

(5) The mandatory clause on sub-licensing of know-how in every technology collaboration agreement raises needless suspicion in the minds of the collaborator. At the same time, it does not benefit the Indian party or the country since the collaborator can always refuse to agree to such sub-licensing terms. Better to delete the clause.

(6) The period of agreement should include the lead time needed to develop satisfactory commercial manufacture of the

product and not just the royalty period.

(7) Where the collaborator is willing to sell the 'know-why' in addition to the know-how, the Government should permit longer periods of agreement.

(8) The taxes paid in India on royalties earned should be fully offset against taxes paid by the collaborator in his own country. This will require suitable negotiations with the Governments of other countries on avoidance of double taxation.

#### **Capital goods import**

(9) In order to avoid delay in payment of royalties the certification of tax deduction and approval to remit royalties should be done in the regional office of the RBI or the Income Tax Department nearest to the location of the industrial unit. In addition, if royalty payments are delayed, due to labour trouble in the RBI or its department or in the Indian unit, there should be a provision for payment of overdue interest on the royalties due.

(10) The import of capital goods should be cleared "on principle" simultaneously with the approval of the collaboration agreement. This will avoid the substantial delay that takes place in following the normal procedure for C.G. Clearance, particularly advertising and then getting non-availability letters from the local manufacturers.

(11) The use of trade marks of the foreign collaborator should be permitted by the Indian company, especially if similar products with foreign brand names are already being made and sold in India.

## HOME MINISTER TELLS POLICY ON SECESSIONISTS

Madras THE HINDU in English 27 Nov 81 p 7

[Text]

NEW DELHI, Nov 26

The Home Minister, Mr. Zail Singh, today expressed the Government's determination to put down with a firm hand secessionist and anti-national moves like Khalistan.

In a statement in response to a censure motion on the issue in the Rajya Sabha, Mr. Zail Singh said the agitation for Khalistan was confined to "a few disgruntled politicians and extremist elements" and it lacked the support of the Sikh masses.

The Home Minister was confident that all sections of the House would condemn with one voice such fiaspicious and secessionist tendencies.

The Centre, he said, was in constant touch with the Punjab Government and was rendering all assistance to it.

The State Government had taken administrative action further to strengthen the intelligence system. A number of criminal cases had been registered against persons suspected to be indulging in activities prejudicial to the integrity of the country.

**Misleading propaganda**

Steps had been initiated to explain how the "misleading propaganda" of the Khalistan protagonists was encouraging divisive forces "at a time when certain forces are interested in destabilisation".

According to the Home Minister, one main protagonist of the demand was abroad, and was reportedly trying to seek support from the Sikh settlers in the U.K., the U.S., Canada and West

Germany. As part of his activities, he was reported to have got some passports, postage stamps and currency printed abroad.

Except a case of hijacking, there was nothing specific to indicate that the stray incidents of violence in the Punjab were directly connected with the agitation for Khalistan.

The Home Minister reacted sharply to the allegation levelled by Mr. Mathur that Mr. Zail Singh was one of the founder protagonists of the Khalistan movement.

Mr. Zail Singh said he would be the last person to be associated with anti-national forces. On the contrary, it was his mission to crush such tendencies.

He refuted the charge levelled by Mr. Mathur that he had paid the bill of a press conference by the Khalistan protagonists at Chandigarh in 1978. Equally baseless and unfair was Mr. Mathur's allegation that he was encouraging the Khalistan protagonists to run down the Punjab Chief Minister, Mr. Darbara Singh.

**BUP blamed**

Mr. Zail Singh charged the Bharatiya Janata Party (BJP) with carrying on this "misleading propaganda" to malign him and Mr. Darbara Singh.

Mr. A. B. Vajpayee was wrongly quoting Mr. Darbara Singh as having told him that the Khalistan movement was being backed by the Home Minister, Mr. Zail Singh said, amidst protests from Mr. Kairi Mathra (BJP).

The Home Minister accused BJP of indirectly strengthening forces whose aim was to weaken national unity.

Referring to Mr. Mathur's accusation that some Central leaders in Delhi were shielding Mr. Har Simran Singh, a Khalistan protagonist, Mr. Zail Singh said no culprit was being allowed to go scot-free.

**Financed from abroad**

Mr. Zail Singh said till 1971, the Khalistan protagonists were being financed by Pakistan. But he refused to name the countries financing the Khalistan movement since then despite repeated demands by the members.

He denied the Centre's involvement in the arrest and release of Sant Jarnail Singh Bhindranwale. The Government had only asked the investigating agencies to act according to the law.

**P.M. to have talks****with Opposition**

The Home Minister announced that the Prime Minister, Mrs. Indira Gandhi, would invite leaders of different Opposition parties in Punjab for discussion after her talks with representatives of the Akali Dal (Longowal Group).

"The Centre is aware that the Khalistan movement does receive financial and other support from external sources", Mr. P. V. Narsimha Rao, External Affairs Minister, told the Lok Sabha today.

Later, the Speaker, Mr. Balam, indicated that the House would discuss the situation in Punjab, as decided upon by the Business Advisory Committee. — PTL

## PRESS REPORTS RAO STATEMENT ON PAKISTAN OFFER

## Report on Statement

Bombay THE TIMES OF INDIA in English 26 Nov 81 p 1

[Text] New Delhi, November 25. The government today defined its response to Pakistan's "offer" of a no-war pact as positive on the basis that it constitutes acceptance of the Indian offer made first in 1949 and repeated several times since then.

A statement made in Parliament by the external affairs minister, Mr P. V. Narasimha Rao, on the subject recalled chronologically the repeated offers made by India, which "have invariably and all along drawn a negative response from Pakistan."

He declared that India stood by its original offer "with no exceptions, no conditions and no variations." It meant that the two countries settle all mutual problems by direct bilateral discussions without involving third parties.

"Our attitude will thus be positive on the basis that Pakistan's 'offer' constitutes an acceptance for the first time of India's offer of a no-war pact which has stood intact since 1949 and as further simplification of the Simla agreement," he said.

Earlier in the day, some opposition members in the Lok Sabha objected to a statement by the Prime Minister on the Pakistani offer outside the house while Parliament was in session.

## Nehru's Proposal

Mr Chandrajit Yadav, who raised the issue, was supported by Mr Madhu Dandavate and Mr Satish Aggarwal maintaining that it was wrong on the part of the Prime Minister to have made a policy statement while Parliament was kept in the dark about it.

The reported statement declared India's willingness to discuss with Pakistan a no-war pact.

The speaker, Mr Balram Jakhar, did not find anything extraordinary in the Prime Minister's statement.

The minister of state for defence, Mr Shivraj Patil, pointed out that the Prime Minister only reacted to something which had already been discussed. There was nothing procedurally wrong, he contended.

In the statement read out in both houses, the external affairs minister recalled the proposal made by Mr Nehru as early as December 22, 1949 to the then Pakistani Prime Minister, the late Mr Liaquat Ali Khan, that the two governments sign a no-war declaration.

Its basis was to have been "the government of India and the government of Pakistan being desirous of promoting friendship and goodwill between their peoples, who have many common ties, hereby declare that they condemn resort to war for the settlement of any existing or future disputes between them."

This offer, Mr Rao pointed out, was repeated on numerous occasions by Prime Ministers Nehru, Lal Bahadur Shastri (in 1965), Mrs Indira Gandhi (in 1968) and Mr Morarji Desai (in 1977). When the foreign secretary visited Pakistan in February, 1980, he renewed the offer to sign a no-war pact. But the Pakistani response was invariably negative, he said.

#### Position "Unchanged"

According to the minister, over the years, Pakistan's basic position had remained unchanged. He cited a statement by the late Mr Bhutto in June, 1963, that "let India arrive at an equitable and honourable settlement with Pakistan over Kashmir, we can then have not one but a thousand no-war pacts....While the Kashmir dispute exists, it is inconceivable that we should accept India's offer of a no-war pact."

President Ayub Khan, rejecting the offer of no-war pact, called first for a settlement of the Kashmir issue.

Again replying to Mrs Gandhi's suggestion, President Yahya Khan stated: "It is our sincere conviction that amity and friendship will continue to elude India and Pakistan if our two governments run after the shadow what the peripheral issues are and evade the reality that our two outstanding disputes regarding Jammu and Kashmir and the Ganges waters represent...."

President Zia-ul-Haq, in a recent interview to an Indian journalist said quite clearly: "No-war pacts, non-aggression pacts were not worth the paper on which they were written. History tells us that a number of no-war pacts, non-aggression pacts and peace treaties have proved good for nothing."

Further, since the Simla agreement of 1972, Pakistan has stated on several occasions that the agreement itself was a "kind of no-war pact and, therefore, there is no further need for thinking of any such pact."

The foreign minister, Mr Agha Shahi, informed our foreign secretary in February, 1980, that it was not possible for this, due to political reasons, to consider a no-war pact, as in their opinion, the Simla agreement itself was virtually a no-war pact.



Referring to the circumstances in which the "offer" came from Pakistan, the minister noted that the official spokesman of the Pakistani government issued on September 15 a long statement announcing formal acceptance by Pakistan of the package proposal for supply and sale of U.S. arms to Pakistan.

The concluding portion of this statement was a paragraph suggesting Pakistan's readiness "to enter into immediate consultations with India for the purpose of exchanging mutual guarantees of non-aggression and non-use of force in the spirit of the Simla agreement."

Pakistani newspapers of September 16 reported the principal thrust of this statement by using headlines like "positive turn in dialogue with USA." This was the context in which Pakistan then made this suggestion, Mr Rao said.

The timing too was significant, namely the U.S. congressional hearings on the U.S.-Pak arms deal.

Copies of the spokesman's statement were given to the Indian ambassador in Islamabad and by the Pakistani ambassador in New Delhi to the foreign secretary.

The external affairs minister noted that more than two months later, November 22 to be exact, the Pakistani government "confirmed the offer in official notes communicated to us in Delhi and Islamabad."

#### Propaganda Offensive

He went on: "Thus it would be seen that the mention of this subject was contained cryptically in a public statement released to the media on an entirely different subject, ironically enough, justifying acquisition of arms, which are more likely to regenerate confrontation and promote arms race in the subcontinent.

The propaganda offensive which followed contained baseless, false and absurd charges against India on a very wide variety of subjects.

"It was obviously difficult to take this as a basis for a proper response from the Government of India. We did not, however, say anything which could be construed as negative.

"Meanwhile, the foreign minister of Pakistan, Mr Aga Shahi speaking to pressmen in New York on September 21, as reported by the Associated Press of Pakistan from U.N. headquarters, is said to have "categorically denied that Pakistan's offer was in contradiction of its 1951 position that a no-war pact should follow the resolution of the Kashmir dispute."

In this connection, the minister thought that he could do no better than to restate India's well-known position.



Madras THE HINDU in English 26 Nov 81 p 1

[Article by G. K. Reddy: "India for Talks Without Conditions"]

[Text]

NEW DELHI, Nov 25

The External Affairs Minister, Mr P. V. Narasimha Rao, told Parliament today that India was ready to respond positively to Pakistan's proposal for a no-war pact, in so far as the offer implied an acceptance for the first time of India's long-standing suggestion.

In a statement he made in both the Houses a day after the Prime Minister, Mrs. Indira Gandhi, had clarified the Indian position, Mr. Narasimha Rao disclosed that a day before the commencement of the present session of Parliament, Pakistan had formally communicated the offer to India on November 22 in official notes delivered simultaneously in Islamabad and Delhi.

This was done more than two months after the suggestion was made cryptically in a press statement issued on September 16, ironically enough, justifying the acquisition of U.S. weapons which were more likely to generate a new arms race than promote peace in the sub-continent.

But as a country fully committed to the normalisation of its relations with Pakistan, India was prepared to discuss this no-war proposition without any pre-conditions from either side in the true spirit of the Simla agreement.

### Shift in stance

Though Mr. Narasimha Rao made out a strong case to justify the initial Indian reservation because of the manner and context in which the offer had been made by Pakistan, it was quite evident that India had given up its earlier objections and was now ready to consider the intrinsic merits of the proposal irrespective of the motivations behind it.

The statement made by him amplified the noticeable shift in the Indian stance as indicated by Mrs. Gandhi in her speech yesterday at the National Defence College.

The External Affairs Minister recalled that it was Nehru who as far back as 1949 made a no-war offer to the then Prime Minister of Pakistan, Liaquat Ali Khan. The offer was repeated by Nehru on numerous occasions, before Lal Bahadur Shastri, Mrs. Indira Gandhi

and Mr. Morarji Desai renewed it. It was reiterated last year when the Foreign Secretary, Mr. R. D. Sathar, visited Pakistan.

### Earnest attempts

But these earnest attempts by India had all along evoked only a negative response from Pakistan. As recently as February, 1980, the Foreign Minister of Pakistan, Mr. Aga Shahi, had informed Mr. Sathar that, due to political reasons it was impossible for Pakistan to consider a no-war proposition since, in its view, the Simla agreement itself constituted a virtual no-war pact.

The basic stand of Pakistan on this issue had remained unchanged from the days of Liaquat Ali Khan and Ayub Khan to Zulfikar Ali Bhutto and Gen. Zia-ul-Haq, all of them maintaining with varying degrees of vehemence that, as long as the Kashmir dispute existed, they could not agree to a no-war pact.

At one stage Ayub Khan went to the extent of bracketing the Ganga waters question with the Kashmir problem to stress that "until all such outstanding issues" were resolved it would not be possible for Pakistan to even countenance such an agreement.

In an interview to a visiting Indian journalist, Mr. Narasimha Rao pointed out, Gen. Zia had said quite clearly not long ago "No-war pacts, non-aggression pacts were not worth the paper on which they were written. History tells us that a number of no-war pacts, non-aggression pacts and peace treaties have proved good for nothing".

As recently as September 21, Mr. Aga Shahi was quoted by the Associated Press of Pakistan as categorically denying at the U.N. in a talk with some pressmen that the latest Pakistan offer was "in contradiction of its 1951 position that a no-war pact should follow the resolution of the Kashmir dispute".

The External Affairs Minister made this statement today as a response to the phrases of the Indian offer and the Pakistani rejection in their proper sequence to set the record straight — and focus attention on the fact that Islamabad's latest proposal, made in an abrupt reversal of its earlier stand, was too obviously timed to coincide with the congressional hearings on the U.S. arms package.

It was also intended to pre-empt a part of the opposition criticism that India was unnecessarily adopting a rigid

attitude, before the issue was raised later this week during question hour in both the Houses of Parliament.

He, however, utilised the opportunity to assure Pakistan that India stood fully committed to its policy of normalisation. In this connection, he said, he could do no better than restate the well-known Indian position that a stable and prosperous Pakistan was equally in its own interest.

At the same time he emphasised Indo-Pakistan relations could be normalised only on the clear understanding that all disputes between the two countries should be resolved without outside interference. It was on this basis that India had originally offered the no-war pact. "We stand by it, as such, with no exceptions, no conditions and no variations".

### PTI reports:

The Prime Minister, was sought to be pulled up in the Lok Sabha today by the Opposition for her statement, made outside Parliament when its two Houses are in session, expressing India's willingness to discuss a no-war pact with Pakistan.

The issue was raised, after the question hour by Mr. Chandrashekhar Yadav.

"This is a policy statement made outside the House", Mr. Yadav pointed out in protest against the Speaker having declined to entertain a letter he had written to him this morning on the issue.

The Speaker, Mr. Baisam said that this was not the first time that the statement (on the no-war pact) was made by the Prime Minister.

## REPORT ON GANDHI SPEECH TO CONGRESS-I MP'S

Calcutta THE STATESMAN in English 23 Nov 81 p 1

[Text]

NEW DELHI, Nov. 22.—Mrs Gandhi said here today that "in the context of the international perspective and the security environment", India had to be prepared in respect of its defence and ready to "face the challenges we may come across".

Addressing a meeting of the Congress (I) Parliamentary Party on the eve of the winter session of Parliament, Mrs Gandhi prefaced that note of caution with the statement that India's energies were directed mainly to the development of the country and it had always opposed the arms race.

In her 30-minute speech, which was almost entirely devoted to her recent visits abroad and to the international situation, Mrs Gandhi also told her party M.P.s that "the present policies of the leaders of the two blocs are not reducing world tensions" and this was the reason for the peace rallies in some parts of the world.

In earlier decades, she pointed out, peace rallies and demonstrations were organized by only a few thousand people. The preservation of peace had now become the concern of wider groups of people the world over and particularly in the Western countries. "And people from all age groups, specially the younger ones, as also people from all political groups, have been involved in this movement now", she said.

Mrs Gandhi mentioned that similarly the concept of non-alignment had begun to be appreciated much more now than earlier by countries of the two blocs. Each country today was interested primarily in its own advancement and this was why it had come to accept more the merits of non-alignment than the motives for joining a bloc.

Another notable point she made was that in the international order, economic disparity should be lessened. India had been putting forth that view in all international gatherings and conferences. "Economic disparity is as dangerous

as military confrontation because countries which are economically weak get restive".

Mrs Gandhi told her party men that her recent visits abroad had proved very useful. Though "no positive solution emerged" at the Cancun conference, in Mexico, "we are not gloomy, because the conference opened the doors for fruitful negotiation and discussion between the developing and developed countries".

She noted that some kind of food security had to be provided, especially to certain countries in Africa which were facing starvation. India itself, she said, was considered by some to be too developed to be helped. The fact, however, was that even though India had made much progress in some areas, a lot remained to be done.

On the coming Parliament session, and in what was an obvious reference to Press reports that it might well be stormy, Mrs Gandhi told her party men that when there is a storm small birds run for cover but the big eagles come out. The Congress (I) was a big party and should be resolute.

On the subject of bringing the latest aircraft for defence, she said: "We have many offers but their merits have to be carefully compared before we take a decision".

She touched also on corruption and the need to eradicate it, but she went on to say that "if something goes wrong, we have to go into it ourselves" and not because the Press had written about it.

She told her party men "to concentrate on essential problems instead of being diverted by inessential controversies".

Mr K. Lakshappa, a secretary of the Congress (I) Parliamentary Party, who briefed reporters about the meeting, said that when making her remarks about eradicating corruption, Mrs Gandhi did not mention anybody in particular.

REPORT ON GANDHI 21 NOVEMBER SPEECH TO BANK OFFICIALS

Bombay THE TIMES OF INDIA in English 22 Nov 81 p 1

[Text] New Delhi, November 21.

The Prime Minister said today banks were a link in the effort to create better conditions for the rural poor and had an important role to play in creating an egalitarian society.

This was the major consideration for the nationalisation of banks, Mrs Gandhi said. "It is for you," she told a meeting of chief executives of public sector banks "to see to what extent we have achieved this."

The Prime Minister said: "We have been stressing on productive investment in the rural sector because a vast majority of the population lived in the rural areas. We want them (small artisans, farmers, craftsmen and the like) to contribute a much greater share and it is the duty of banks to help them to do so."

The government attached the highest importance to schemes aimed at improving the lot of these people. Lending by banks for rural development should be so organised as to ensure net addition to production and help poor improve their living standards.

Lending Policies

Mrs Gandhi said lending policies should be guided by the highest degree of responsibility and adequate attention should be paid to the recovery and recycling of funds.

Referring to the wage structure in the banking system, she said the wage policy should not be out of tune with the broad wage structure but should go along with it.

The meeting of the chief executives of public sector banks and senior officials of the state governments and Central ministries concerned was convened to discuss ways of ensuring proper and adequate flow of bank credit to the weaker sections of society.

Mr Maganbhai Barot, deputy finance minister, cautioned the banks against "indiscriminate and unwise" lending at a time of scarcity of resources and competing demands.

He said the flow of bank credit for programmes in the priority sector and for the weaker sections must be progressively enlarged over the next few years.

This had to be within the objective of achieving increased levels of employment and incomes, particularly in the rural areas.

Mr Barot said: "I would like to strike a note of caution that the existing liquidity in the economy is creating pressures on the price situation. While the rate of inflation has been contained, we have to be vigilant and observe the necessity financial and monetary discipline in every sphere of our public spending."

The governor of the Reserve Bank, Dr I. G. Patel, said attention would be paid to creating a viable scheme for rural development.

Mr R. N. Malhotra, secretary in the department of economic affairs, drew attention to the role of banks in making the integrated rural development programme a success.

CSO: 4220/7428

## G. K. REDDY ON GANDHI DEFENSE COLLEGE SPEECH

Madras THE HINDU in English 25 Nov 81 p 1

[Article by G. K. Reddy: "Pakistan Offer Not Rejected, Says P.M."]

[Text]

NEW DELHI, Nov 24

The Prime Minister, Mrs. Indira Gandhi, clarified today that India was not spurning Pakistan's offer of a no-war pact, but only stressing that it could be discussed if Islamabad was really serious about it.

If India doubted the sincerity of the Pakistani move, it was because of the context and manner in which the proposal had been mooted, while making a frantic effort simultaneously to acquire sophisticated arms from various sources.

Addressing senior officers of the National Defence College, Mrs. Gandhi recalled that it was India which had repeatedly proposed a no-war pact, but Pakistan had persistently turned down the suggestion. The Indian offer was still open and, if Pakistan was prepared, "we are willing to talk about it".

The Prime Minister dealt with this issue at some length to dispel the widely prevalent impression abroad that, while Pakistan had made a conciliatory offer, India had peremptorily rejected it. In proffering this elucidation, she was only stressing that in politics it was necessary to contend with hard realities and not empty platitudes.

### Inherent contradiction

The Indian reaction to the Pakistani offer, in her view, was aimed at focusing attention on the inherent contradiction. A country could not glibly talk of 'no war', while actually preparing for a war through acquisition of modern arms

well beyond its legitimate defence requirements.

She drove home this point with a considerable measure of conviction that, in doubting Pakistan's sincerity, India was not in any way opposing the concept of a no-war pact but only pleading for an earnest effort by both sides without any double talk or dissimulation.

It became necessary for the Prime Minister to restate the fundamentals of the Indian stand because of the wrong inferences drawn by some countries from the External Affairs Ministry's contention that, since no formal offer had been received from Pakistan other than what was mentioned in a press statement, India was not called upon to react to it. This gave Pakistan some propaganda advantage in misrepresenting the Indian reaction and projecting itself as a victim of Indian malevolence.

### Record set straight

So Mrs. Gandhi made use of the opportunity of her annual address to the officers of the National Defence College to set the record straight by reiterating that the 30-year old Indian offer of a no-war pact was still open.

She also utilised the occasion to assure Pakistan that India did not want to engage in a conventional or nuclear arms race, nor did it base its policies on the theory of deterrence.

Having been subjected to repeated Pakistani aggression in the past, India was naturally concerned at the U.S. bid to rearm it. If the country had been caught napping on more than one occasion, it was because enough attention was not paid to national defence.

But any defence preparedness had

to be matched by a sound foreign policy based on friendship with all like-minded countries to promote international stability and peace. It was in India's interest to have strong and stable neighbours which also believed in cooperation.

Asked about Sino-Indian relations, the Prime Minister said "we have serious differences with them, about which we feel strongly", in an obvious reference to the painful memories of the 1962 conflict and the unsettled border dispute. But she maintained that here again it was India that had taken the initiative for normalisation, while referring to the increasing contacts at various levels between the two countries and the impending official talks on the border problem.

### IMF loan terms defended

Mrs. Gandhi was no less vehement than her Finance Minister Mr. R. Venkatesaraman, in strongly defending the terms of the IMF loan. She said: "We have in no way departed from our declared policies. There is no kind of shadow cast on our freedom of decision-making and action".

For a country of India's size and diversity with its vast population and a heavy backlog of problems, democracy was the best form of Government. It was the only way of associating the people with the country's development for solving the problems of poverty and privation.

But it was not possible to evolve a national consensus on all major issues under present-day political conditions, because the Opposition was fragmented and divided against itself with no central core to its thinking or behaviour in any given situation.



## REPORTAGE ON MATTER CONCERNING LOAN FROM IMF

## Text of Finance Minister's Statement

Madras THE HINDU in English 24 Nov 81 p 1

[Text]

NEW DELHI, Nov. 23

The following is the text of the Union Finance Minister, Mr. R. Venkatesaraman's statement in Parliament on India's extended arrangement with the IMF.

On August 17, 1981, I had informed the House that the Government was negotiating with the IMF for drawing an amount of SDR 5 billion under the extended fund facility.

I am glad to be able to tell the House that our negotiations have been successfully concluded and the Fund has approved an extended arrangement for the full amount requested. It is heartening that our proposal received wide support from both developing and developed countries.

For a period of three years, beginning November 9, 1981, India will have the right to draw an amount equivalent to SDR 5 billion in instalments. Until June 30, 1982, drawings up to SDR 900 million may be made.

From July 1, 1982 to June 30, 1983, another SDR 1,800 million will be available. The remainder can be drawn in the period from July 1, 1983 to the end of the extended arrangement.

### Mix of ordinary, borrowed resources

These amounts are being made available, in accordance with the established policies of the Fund, by way of a mix of the Fund's ordinary and borrowed resources. Of the total amount, SDR 2,404.5 million will be financed from the Fund's ordinary resources and the remaining amount from borrowed resources.

The drawings from ordinary resources will be available at an average rate of interest of 8-1/4 per cent. Repayments of each drawing will begin in the fourth year and will be completed in 10 years after the date of each drawing.

The drawing from borrowed resources will carry a market related rate of interest and repayment of each drawing will begin three and a half years after the date of each drawing and will be completed in seven years from the date of each drawing.

The average interest rate on resources provided under this arrangement will be substantially less than that in the Euro-Dollar market.

The need for this loan arises from the balance of payments situation facing the country. In my statement of August 17, 1981, I had drawn attention to the massive deterioration in our terms of trade arising in particular from the doubling of oil prices in the last two years. The oil import bill increased from Rs. 1,700 crores in 1978-79 to over Rs. 5,000 crores in 1980-81.

This has contributed substantially to deficit in our trade account which rose to about Rs. 5,500 crores in 1980-81. The situation remains serious as is evident from the fact that our reserves have continued to decline.

Our foreign currency reserves have declined almost Rs. 1,400 crores in the first seven and a half months of the current year. This is an erosion of over one fourth in our foreign currency reserves within a short time.

### Export demand for our goods weakened

This difficult situation cannot be dismissed as a short-term imbalance. Essential import requirements of the economy will continue to be substantial, even though major import substitution programmes are being vigorously implemented.

The export demand for our goods has weakened due to recessionary conditions abroad. The situation has been made worse by rising protectionism

in the industrial countries.

Unless, therefore, there is a radical change in the external environment, of which unfortunately there are few signs, our balance of payments will continue to be under severe strain for some years.

This was recognised in the Sixth Plan which envisages recourse to external financing over and above the anticipated flow of net external assistance.

It is precisely to meet the balance of payments situations of the type that the extended fund facility was created in the IMF with the strong support of developing countries including India.

This facility differs from the usual standby facilities of the Fund, which are intended to meet short-term balance of payments needs.

The extended facility is designed specifically to provide medium-term finance to enable developing countries to manage the balance of payments problems without faltering in their development effort.

Our case for borrowing from the facility falls squarely within this framework. As a member of the IMF it was our right to use this facility provided resources were made available on appropriate terms, consistent with our national objectives.

### Copies of letter in Parliament library

In order to enable an informed discussion of the issues involved in the arrangement, copies of my letter dated September 28, 1981 to the Managing Director of the IMF along with copies of the attached memorandum containing a statement of our economic policies have been placed in the Parliament Library.



export effort and we have reiterated the commitment. Expanded domestic production in critical areas where we can save on imports, together with a more dynamic export performance are the two ingredients for bringing the balance of payments under control in the Sixth Plan period.

I am sure that hon'ble members will agree on the relevance of fiscal and monetary restraint to control inflation. The House is aware that action in line with this objective has been under way and I am glad to say that it has begun to show results.

The policies for resource mobilisation which we have outlined in the statement are a continuation of the policies we have been following with the support of the House. They are designed to provide the resources necessary to achieve non-inflationary financing of investments needed in the Sixth Plan.

In regard to the role of the private sector, our statement is fully in accord with the approach of the industrial policy statement of July, 1980 which was placed before the House.

I would now deal with what is called conditionality and which is naturally a matter of concern to the members of this House. It has two aspects. The first relates to the overall nature of the adjustment programme.

As I have already explained, the adjustment programme which we have outlined has been framed in accordance with our social and political objectives, reflects our economic priorities, and is tailored to our specific circumstances.

So far as this aspect goes, I reiterate that the strategy and the policy underpinning of the programme are in complete accord with the Sixth Plan.

## Macro-economic variables

Secondly, there are performance criteria, determined annually, which have to be related largely to macro-economic variables. These are as few as possible. For 1981-82 the performance criteria reflect the policies which I emphasised while presenting the Budget for the current fiscal year.

I had drawn the attention of the House to the persistence of inflationary pressures in the economy and had in that connection urged the need for fiscal and monetary restraint in line with the important policy objective. We have been attempting to keep the expansion of credit within reasonable

limits.

Thus, for the current fiscal year, we have indicated our intention to limit the total domestic credit outstanding at the end of the fiscal year to a maximum of Rs. 74,181 crores as against the outstanding amount of Rs. 62,126 crores at the end of the last year. This represents an increase of as much as 19.4 per cent.

My endeavour would be to keep the total credit expansion below this level. Total net credit outstanding from the banking system as a whole to the Central and State Governments as at the end of 1981-82 is proposed to be limited to Rs. 30,981 crores as against the amount of Rs. 25,806 crores outstanding at the end of the previous year.

The House will agree that expansion of credit beyond these levels would jeopardise our effort to control inflation.

For 1981-82, we intend to limit to SDR 1.4 billion the contracting of official and officially guaranteed external commercial loan, with a maturity of between one and 12 years. I would like to emphasise that this limit will not only exclude aid credits but also all loans which have maturities exceeding 12 years.

## New steel plant

Furthermore, it will also exclude two large loans contemplated for a new steel plant in Orissa and a possible power project. This limit, which is for the current year only, is fully in consonance with our own policy of prudent management of foreign debt.

We have rupee trade and payments agreements with a number of countries. I would like to emphasise that these will continue, and will in no way be affected by arrangements with the IMF.

Mr. Speaker, I had stated, in the course of the parliamentary debate in August this year, that there never was any question of devaluation of the rupee. There was no question then. There is no question now.

There will be periodic consultations between the Government of India and the Fund during the period of the extended arrangement to review the implementation of the programme. This is a normal feature of such arrangements.

I would like to inform hon'ble members that even without such an extended arrangement, all member countries are obliged to consult the Fund periodically under the provisions of Article IV of the Articles of Agreement of the IMF.

Mr. Speaker, the IMF arrangement has been the subject of considerable interest both inside and outside the House. I have studiously avoided making any comments on this question before taking this House into confidence.

I am sure that a careful perusal of the documents we have now made available will convince the hon'ble members that the Government has fully safeguarded the vital economic interests of the country. I had assured this House that the Government would not do anything which would be derogatory to the country's self-respect or to the national interests.

Sir, we have kept our promise. We have clearly indicated to the Fund that the measures we adopt will be fully in line with our declared policies accepted by Parliament.

We have not allowed, nor shall we permit in future, any abridgement of the sovereign right of Parliament and of the Government responsible to it to determine national policies.

A perusal of these documents will show that the adjustment programme outlined therein is an integral part of the Sixth Plan and reflects faithfully the strategies, programmes and the investment priorities of the Plan. There is no departure from our commitment to self-reliance.

We have firmly stated our commitment to development programmes aimed at the uplift of the weaker sections of society, especially in rural areas.

It is only by implementing the Sixth Plan efficiently that the will economy gather the strength it needs to move into a viable balance of payments position. There is no other way.

## Priority to import substitution

The policies outlined in support of our medium-term programme are also derived from the Sixth Plan. As far as the balance of payments is concerned, high priority is accorded in the National Plan to import substitution in important areas such as oil, steel, cement and fertilizers. We have emphasised this aspect in the statement of policies.

At the same time, the import requirements and technological needs of a growing economy and a heavy investment programme must be adequately and expeditiously met. Our import policy is designed to achieve this objective.

The Plan also calls for a strong

Madras THE HINDU in English 24 Nov 81 p 1

[Article by G. K. Reddy: "No Commitment to IMF on Devaluation"]

[Text]

NEW DELHI, Nov 23.

The Finance Minister, Mr. R. Venkataraman, assured Parliament today that the "adjustment programme" outlined in his letter to the International Monetary Fund and the attached memorandum did not involve any commitment on devaluation or departure from the policy of self-reliance.

It was in no way derogatory to the country's self-respect or to the national interest, nor did it imply any abridgement of its sovereign right to determine its policies and actions.

Mr. Venkataraman maintained that, on the contrary, the adjustment programme faithfully reflected the strategies and investment priorities of the Sixth Plan. It was in accordance with the country's social and political objectives, which was tailored to meet "our specific circumstances".

The Finance Minister placed in the library of Parliament, which was different from placing on the table of the House, copies of his letter dated September 28, 1981, to the IMF Managing Director and the attached memorandum containing a statement of the Government's economic policies in support of the loan application.

If a document is laid on the table of the House, the members have a right to discuss the contents, but they cannot claim the same prerogative as a matter of right when the same thing is placed in the library for the information of members of Parliament.

But the eight-page statement Mr. Venkataraman made on the IMF loan will come up for discussion in the House in the normal course as soon as the Business Advisory Committee elicits the necessary time for it. So in placing the text of his letter to the IMF and the attached memorandum only in the library and not on the table of the House, he was not in any way refusing to confirm the authentic-

ity of the two documents published by THE HINDU to open the way for an informed public debate on the subject.

The Finance Minister pointed out that the need for the massive loan of 5 billion SDR from the IMF had arisen because of India's critical balance of payments position. The doubling of oil prices in the last three years, pushing up the bill from Rs. 1,700 crores in 1978-79 to over Rs. 5,000 crores in 1980-81, had led to a sharp deterioration in a current trade deficit of about Rs. 5,500 crores.

The country was also obliged to draw down its reserves by one-quarter to the extent of Rs. 1,400 crores in the last seven and a half months which led to a serious erosion of the foreign exchange position. It was in this difficult situation that the Government decided to seek an extended facility from the IMF to the tune of 5 billion SDR to meet the anticipated shortfalls, during the next three years, in the country's balance of payments.

There were uproarious scenes in the Lok Sabha earlier when several Opposition parties blocked the entire question hour and made a determined attempt to censure the Government over the terms of the IMF loan. The Lok Dal members squatted in the well of the House insisting on a discussion of the recent massacre of Harijans in Deoli village. After a prolonged procedural wrangle, they all walked out of the chamber in protest.

The second walk-out in the Rajya Sabha came after the Finance Minister rejected the demand for placing all the relevant documents, including the IMF's assessment of the Indian economy, on the table of the House. He pleaded his inability to place the papers before the House since the Government was not empowered to do it.

The Opposition members claimed that Parliament was entitled to all relevant information relating to this massive loan which, in the opinion of some of them, amounted to a sell-out of the country's interests.

The Finance Minister, who patiently sat through this agonising ordeal was able to read out his statement only in the late afternoon, after the Home Minister, Mr. Zail Singh, had had an equally exasperating experience in dealing with the Deoli episode.

He gave details of draws of the IMF loan in three instalments, the agreed interest rates and repayment schedules to stress the point that the terms were much more liberal than for commercial bank credits, despite the performance criteria conditions attached to it.

He stressed that the performance criteria, which were to be determined annually, had to be related to the macro-economic variables. What had been agreed upon for 1981-82 was fully in consonance with the policies laid down in the current budget.

The agreed ceilings on credit expansion excluded the rupee trade and payment agreements, besides the large foreign loans contemplated for the Paradeep steel project in Orissa and a planned super power project.

The main theme that ran through the Finance Minister's statement was that conditions imposed by the IMF were fully in accord with the policies the Government was pursuing on its own initiative.

It was later learnt on good authority that there was an implicit understanding with the IMF that in assessing or stipulating the performance criteria for the three loan instalments, no attempt would be made to question the propriety of or seek details of defence expenditure other than what was mentioned in the budget.

Though the IMF loan and Deoli massacre dominated the opening day's proceedings, the issue of rising prices also led to strong protests. The Opposition members in the Rajya Sabha resorted to the novel protest of placing a handful of onions before the Chairman, Mr. M. Hidayatullah, as a token of the Government's failure to check rising prices.

## Government Note to IMF

Bombay THE TIMES OF INDIA in English 24 Nov 81 p 1

[Text] New Delhi, November 23: India in its latest note to the international monetary fund, which is due to review in terms of performance \$5.7 billion loan to this country, reiterated that in no circumstances would it renege on its principled stand on the terms of the loan.

Reiteration of the Indian stand even immediately after the loan was negotiated is thought by the government necessary, because some of the member-countries, particularly the U.S., are yet to accept the terms of the loan.

The Indian note which appreciates the attitude of most of the West European and developing member nations on their stand on the loan, records the passage of the negotiations which at one stage became very difficult owing largely to the American opposition to the terms of the loan.

### No Specific Target

The U.S. maintained from the beginning of the negotiations that the terms offered by the IMF to India were rather soft. It pointed out that in the Indian proposal there was no specific measure or target which the fund could consider. The U.S. instead suggested a much smaller loan to be given to India to begin with.

India, opposing the American proposal, made it clear that either it should get the whole or none. India also made it clear it could not go for commercial borrowing beyond what it could absorb.

The Indian note explains that it is a loan sought by a developing country to adjust its economy for long-term development. India's balance of payment problem is concerned with structural problems and it could not be a short-term one. The sixth five-year plan is a measure of demonstrating the intention of this country to adjust the economy in a manner which would facilitate the strengthening of the basic structure.

### Venkataraman on Second Letter

Calcutta THE STATESMAN in English 28 Nov 81 p 1

[Text] New Delhi, Nov 27--The Finance Minister, Mr R. Venkataraman, told the Lok Sabha today amid cheers that while the International Monetary Fund would be consulted on all matters relating to this country's economic policy, the Government would adopt only those policies and programmes that were approved by Parliament. The IMF had granted a loan of \$5 billion to India.

He was answering a question by Mr Satyasadhan Chakraborty (CPI-M) during question-hour, about the second letter sent by India to the IMF when the latter asked for certain clarifications about the first letter from the Finance Minister.

Mr Venkataraman told the member that the first letter contained, in Para 5, the point that India would consult the IMF in respect of all matters, but that it

would adopt only such policies as were approved by Parliament. The clarification the IMF sought was whether India would consult that body on all matters, or on only those programmes and policies approved by Parliament. "We gave them the clarification that, as a member of that body, we shall consult them on all matters, but that we will adopt whatever is approved by Parliament."

Mr Chakraborty had a second question: did not IMF scrutiny of India's policy infringe this country's economic sovereignty? "That is totally incorrect," Mr Venkataraman told him.

Was there any oral memorandum of understanding, apart from the written one relating to the loan, Mr Satish Agarwal (BJP) wanted to know? Mr Venkataraman told him that there was nothing like an oral understanding in IMF procedures. "There is only a written understanding."

Mr Venkataraman took the opportunity to explain to members the IMF procedures regarding the grant of extended credit facility. First, the Finance Minister of the country seeking such loan sends a letter of request. That is followed by a statement of policies and programmes which the Government proposes to adopt to tackle its balance of payments problem. The IMF then makes its own "internal assessment." That is submitted to its executive which then considers and takes the appropriate decision.

Every such documents, excepting the IMF's internal assessment which is not made available to the country seeking the loan, had been kept in the Parliament library for members, he added.

All that information was supplied to the House by the Finance Minister despite his initial plea that there was to be a discussion on this matter next Wednesday and that "we should not anticipate the discussion."

The Speaker, Mr Balaram Jakhar, also noted that as much as eight hours had been allotted for the schedule discussion on the IMF loan.

Answering a subsequent question, the Commerce Minister, Mr Pranab Mukherjee, told Mr E. Balanandan (CPI-M) that the "IMF does not stand in the way of our imports policy."

CSO: 4220/7437



## UN ENVOY SCORES NEW MEMBERS OF OCEAN COMMITTEE

New Delhi PATRIOT in English 22 Nov 81 p 8

[Text]

UNITED NATIONS, Nov 21 (UPI) — India has assailed the United States and some other new members of the ad hoc committee on Indian Ocean for trying to 'scuttle' its decade-old mandate on the declaration of the Indian Ocean as a zone of peace.

An Indian delegate made it clear yesterday that if any member had a "new concept of a zone of peace in the Indian Ocean" they should put forward their suggestion in a resolution which his country may or may not vote for.

Ambassador A P Venkateswaran told the first committee, which deals with political and security matters, that 'my delegation is seriously concerned and disturbed at the trend of deliberations in the ad hoc committee.'

We find the committee has been subjected to a systematic attempt at whittling away its very basis to suit the interest and preoccupations of a few new members and certainly contrary to the expressed will, interest and aspirations of its original members.

Mr Venkateswaran said the 1971 declaration had been an expression of the interests and aspirations of the littoral and hinterland states... (which) had decided to create a zone of peace in the Indian Ocean.

The aim was that great power rivalries and military presence would be excluded enabling the states of the area of embark on the task of national reconstruction free from external interference and influence.

Mr Venkateswaran said when the committee was expanded a few years ago to include the permanent security council members and other major maritime powers, the idea was to secure their cooperation in implementing that mandate.

He said it was legitimate for the original members to expect that these countries' decision to join the committee indicated their readiness to cooperate, and not to overturn and scuttle that purpose.

## MANDATE

It was not as if the General Assembly had agreed that the objectives and mandate of the committee should be changed to suit the convenience of the new members as a condition of their joining it.

However, India's permanent representative to the UN office in Geneva said that the attitudes manifested by some delegations led him to believe that this is their precise purpose.

The Indian official did not name the countries these delegations represent, but the reference was unmistakably to the United States and some of its allies which say that they do not accept the 1971 declaration.

US delegate Kenneth Adelman told the committee on Thursday

his country wanted the committee to re-examine the principles that should be embodied in the concept "Indian Ocean zone of peace."

The US delegate said his country

also did not support the goal of an Indian Ocean conference which was sought to be held for implementation of the 10-year-old declaration.

He said that declaration was inconsistent with the right of all states to individual and collective self-defence and with internationally recognised rights to freedom of navigation.

Soviet delegate Vladimir Shustov said his Government would withdraw its troops from Afghanistan when a halt was called to an undeclared war being waged there, but said the US had not indicated when it would withdraw its own forces from the Indian Ocean region.

The Indian representative rejected the US claim that the declaration posed restriction on navigational activities and pointed out that it contained a specific provision to avoid any such curbs.

## BIG POWER RIVALRY

He said the concept of the Indian Ocean as a zone of peace was brought up by the non-aligned nations because of apprehension that, in years to come, the great-power rivalry in the region would grow dangerously and threaten their security.

"Unfortunately, our security concerns have proved right and in spite of the expressed wishes of the littoral and hinterland states, the military presence of the great powers has been increasing and the area today faces a strategic situation unprecedented in its history."

## NATION SAID TO HAVE HIGH STANDING IN SPACE CLUB

Madras THE HINDU in English 23 Nov 81 p 8

[Editorial: "Aiming Higher"]

[Text] ALMOST 18 YEARS to the exact day the country made its venture into space, Bhaskara II, India's second earth observation satellite, has been launched successfully from a Soviet cosmodrome. It was on November 21, 1983, that a tiny U.S.-made Nike Apache rocket blasted off from a small pad at theThumba Equatorial Launching Station near Trivandrum. India's first satellite, Aryabhata, was fabricated more than six years ago and shot into space on April 19, 1975, and Bhaskara I on June 7, 1979. And these are still in orbit. Because of its military implications for ballistic missiles, technology transfer on rocketry is next to impossible and it is not only the Soviet Union that has provided launching facilities. The Indian communications satellite APPLE (Ariane Passenger Payload Experiment), nudged into its geosynchronous slot, was lifted by a rocket made by the European Space Agency. The fourth-stage rocket in the APPLE launch was identical to that used in an unsuccessful SLV-3 exercise. But the APPLE launch proved that indigenous technology was not off the mark. If APPLE is at present suffering from some "temperature snags" and its operations have had to be temporarily curtailed, that need not dishearten our scientists in view of the series of trial and error efforts associated with any sophisticated scientific experiment. For two more satellites in the INSAT-I domestic communication system, the thrust will be provided by American launchers. These will help in boosting the telephone, television and meteorological networks and upgrade the adult literacy programme.

in the field                      try. India had to start  
from scratch                      imb to self-confidence

has been slow and hard. The first full-fledged launch vehicle failed, with the rocket diving into the Bay of Bengal off the island of Sriharikota in Andhra Pradesh. The second experimental flight of the Rohini satellite was an outstanding success. Shot into orbit on July 18, 1980, it is still going round the earth although its original projected life span was a mere 90 days. The setback to the third SLV-3 has not deterred the Indian Space Research Organisation from planning for the fourth shot in the next few months. Hitherto, only solid fuels have been used by Indian scientists and the ambitious remote sensing and polar satellites would require many times the thrust of SLV-3 and that will be possible only through the use of liquid propellants, a difficult technology. The bigger launches may be conducted from sites other than the Sriharikota complex.

The four major research centres have more than 10,000 scientists and engineers on their rolls and already India's standing in the exclusive space club is quite high. Britain, which has suspended its own space programme for reasons of economy, is reportedly interested in a proposal for a joint venture to launch a Commonwealth satellite from Sriharikota. Malaysia and Singapore are also said to be looking for Indian collaboration. To top it all, the science fiction writer Arthur Clarke, who dreamt up spaceships in his books many years ago, has suggested that India take the lead in forming an Asian space agency on the lines of what exists in West Europe. To turn a wisecrack, the sky is not the limit if the highest authorities in New Delhi — who are quick to provide the proverbial pat on the back — also provide funds and other encouragement to ISRO to reach out further.



REDDY: BETTER CLIMATE FOR RAPPROCHEMENT WITH PRC

Madras THE HINDU in English 28 Nov 81 p 9

[Article by G. K. Reddy: "Climate Better Now for Rapprochement With China"]

[Text]

NEW DELHI, Nov 27.

The Western powers want India to engage concurrently in a no-war dialogue with Pakistan, while carrying forward the initiatives for better relations with China through an amicable settlement of the border problem.

The next few months are going to be quite challenging for Indian diplomacy with pressures building up for the two-pronged approach to Pakistan and China for stabilising the country's contiguous borders with them.

The Western advocates of the parallelism concede that there is no basic interrelation as such between India's discords with Pakistan that transcend the Kashmir issue, and the dispute with China that is largely confined to the border problem.

But they continue to stress the need for some degree of correlation between the two efforts to have the double benefit of a simultaneous improvement of India's relations with both the neighbouring countries, which have moved closer largely because of their shared antipathy towards it.

But the Indian view is that the two issues should be dealt with separately in their respective contexts without attempting to inter-relate them. Any ill-advised bid to tackle Indo-Pak and Sino-Indian problems even side by side, if not together, would complicate matters and prove counter-productive by creating an illusion of inter-relation.

As India sees it, the latest no-war pact offer of Pakistan is primarily aimed

at reopening the Kashmir question by inviting talks on stabilisation of borders and elimination of tensions as an essential prelude to any reduction of force for settling outstanding disputes.

The President of Pakistan, Gen. Zia-ul-Haq, and his Foreign Minister, Mr. Agha Shahi, have been making no secret of their determination to go back on the concept of an Line of Actual Control in Kashmir that is inviolable under the Simla agreement, and revert to the earlier position of a ceasefire line implying the existence of an unresolved dispute.

The Indo-Pak problems have to be faced, in India's opinion, in their own context without attempting to evolve common criteria that would be equally applicable to the Pakistani and Chinese situations.

If India is ready to settle the Kashmir problem on the basis of the present de facto division in the larger interests of peace and stability in the sub-continent, it does not necessarily follow that the same principle should be automatically applied in the case of Sino-Indian border dispute.

Though the Line of Actual Control in Kashmir and the disputed Sino-Indian border are contiguous in the sense that they extend together for nearly 4000 km the two segments have to be separately discussed and settled.

**One-sided view**

The only common feature of the current Indo-Pak and Sino-Indian moves for normalisation is that the Western

powers have acquired a vested interest in an early improvement of India's relations with Pakistan and China, if only to ensure that the Soviet Union does not derive any undue advantage from the prolongation of the present unsettled atmosphere in the region.

Otherwise India has reason to be aggrieved over the completely one-sided view that countries like the U.S. have been taking of India's problems with China and Pakistan.

The climate for some sort of rapprochement with China is considerably better now than before with Beijing no longer protesting too much against India's close relationship with the Soviet Union. But the U.S. policy of rearming Pakistan has spoiled the atmosphere and soured the prospects for improvement of Indo-Pak relations.

The new wave of anti-Indian propaganda in Pakistan is so virulent that India has reason to suspect that the latest no-war offer is no more than a clear ploy to hoodwink international opinion without reflecting any change of heart on its part. The recent Pakistani military manoeuvres on the Punjab borders have not helped to create the right atmosphere for a wide-ranging dialogue on Indo-Pak relations.

And until some degree of mutual confidence is restored, there can be no purposeful dialogue between India and Pakistan on any major aspect of their bilateral relations, least of all on an issue like a no-war declaration.

## SOURCES REPORT 1982-83 PLAN UNDER DISCUSSION

Calcutta THE STATESMAN in English 28 Nov 81 p 9

[Text]

NEW DELHI, Nov. 27.—The annual Plan for 1982-83, discussions on which are now being held with the States, is to be treated as a period of consolidation, with the focus on increasing agricultural production.

According to Planning Commission sources, hardly any new scheme will be launched during the year unless it is needed for raising agricultural production, or lead to import substitution in key areas. Power generation projects are excepted.

The States have been told that they must lay stress on ways to increase the production of food-grains, pulses, oilseeds and sugarcane, so that imports on these counts—which account for a substantial part of the massive import bill—are minimized.

They are also being asked to economise in non-Plan expenditure, so that the savings can be used for resources for the Sixth Plan. In particular, they have been asked to improve the working of State Electricity Boards, irrigation systems and transport corporations, many of which are making heavy losses.

Another area of priority is energy. The States will be asked to undertake extensive plantations of quick-growing species under the social farm forestry programmes and set up bio-gas plants and other sources of energy to mitigate the shortages of fuel and energy.

Also to be discussed are ways to improve the lot of the poor, through action on the minimum

needs programme, implementation of various employment programmes and integrating target-oriented anti-poverty programmes with the local levels.

While the discussions are held on the annual Plans for 1982-83, the progress of implementation of the current year's Plan is also to be examined. The Planning Commission is presently making a mid-

year review of the annual Plan for 1981-82 and its findings will be discussed at a full meeting to be held under the chairmanship of Mrs Gandhi soon.

Warning has already been given that States which have not fulfilled their promises to raise additional resources, on the basis of which the size of their annual Plans was increased, will face cuts. Far from raising additional resources, many States have mounted heavy overdrafts on the Reserve Bank, which they must clear by the end of the year.

At the end of November, three States — Rajasthan (Rs 198.56 crores), West Bengal (Rs 181.54 crores) and Punjab (Rs 104.17) — had overdrafts exceeding Rs 100 crores. Nine others had overdrafts ranging from Rs 1.96 crores (Tripura) to Rs 70.42 crores (Madhya Pradesh).

CSO: 4220/7449

## INDO-SOVIET OIL COLLABORATION PROTOCOL SIGNED

New Delhi PATRIOT in English 1 Dec 81 pp 1, 7

[Text]

**A** COMPREHENSIVE protocol extending Indian and Soviet cooperation for oil exploration, development, drilling, enhanced recovery, technical assistance, equipment supply and training of personnel was signed in the Capital on Monday.

The protocol signed by Petroleum, Chemicals and Fertilisers Minister P C Sethi and Soviet Oil Industry Minister N A Maltsev, envisages Soviet assistance in survey, assessment and drilling for oil in various promising regions of the country such as Himalayan foothills, Rajasthan, Cauvery basin, West Bengal and Tripura, with final action or decision taken on most of the specific proposals by the middle of 1982.

After signing the protocol Mr Sethi said that India proposed to produce 30 million tonnes of oil by 1984-85 but with Soviet assistance this target could be exceeded.

Mr Maltsev said that India had developed a good base for oil production in the last 25 years and the new agreement was in continuation of the various agreements between the two countries for India's oil development.

Later, Mr Maltsev, addressing news conference, said that the scope of exploration work would have to be increased nearly five-fold if India was to achieve its oil production target by 1984-85.

He expressed the view that India had the potential to achieve the target and even surpass it, but it required massive capital and latest technological inputs, much of which India did not possess.

Mr Maltsev said that there were 28 blocks demarcated as hydrocarbon potential areas in India. Of these 15 were 'most promising' areas, he added.

Mr Maltsev said that West Bengal and Tripura belonged to the 'promising areas.'

Among those present at the signing ceremony were Minister of State for Petroleum Dalbir Singh, Soviet Deputy Oil Industry Minister D Takoyev, Soviet Ambassador Y M Vorontsov, Petroleum Secretary Lavraj Kumar and ONGC chairman Col S P Wahi.

The protocol follows the Agreement on Economic and Technical Cooperation between the Prime Minister Indira Gandhi and Soviet President L I Brezhnev in December last year.

Mr Maltsev called on Mrs Gandhi during the day.

Under the agreement, the Soviet Union would carry out a survey to assess the prospects of oil and gas bearing capacity in the onland area of Cauvery basin.

The agreement signed after eight-day visit of the high-power Soviet team, also provides for analysis of geological and other data of the Himalayan foothills by the Soviet Union to select the best method of drilling in this area, which has high pressure and temperature.

Similar studies will be conducted in Rajasthan also.

The work of seismic prospecting in West Bengal and Tripura is to begin in December and the drilling in Tripura, which the Soviet Union had undertaken is to be completed in time.

Indian side has asked for assistance to drill a deep well in Ankleshwar to assess the prospects of oil and gas in the deep sedimentary formations.

As for the long-term techno-economic survey for the period 1981-90, this is now being studied by the Government and the ONGC and identification of further areas of cooperation between two countries will be made soon.

The Soviet proposal to ONGC listing equipment and services to be organised by the two sides for seismic and drilling work in the agreed area of Ranagha-Jaguli-Krishnanagar in West Bengal was noted. It was agreed that an advance team of Soviet experts will come to India in December for about a month so that firm proposals could be formulated and contracts negotiated and signed before end of June 1982.

The Soviet side was also willing to extend assistance for exploration of hydrocarbons in the Calcutta Gravity High. The Indian side agreed to consider proposal for assistance in drilling in the Calcutta Gravity High area and also in Port Canning, Diamond Harbour and Bodra areas.

The Soviet side agreed to India's request to depute 40 Soviet experts within the second and third quarter of 1982 to assist Indian experts in drilling work in various oil-fields in the country. The contracts in this regard will be negotiated and signed by 1 March 1982.

## DELHI REPORTEDLY MAY NOT DRAW THIRD IMF INSTALLMENT

New Delhi PATRIOT in English 30 Nov 81 p 7

[Text]

**INDIA** may not draw the third instalment of the new 3.7 billion dollar IMF loan "if Bombay High comes through", reports PTI.

This has been indicated by Finance Minister R Venkataraman, in an interview carried by a New Delhi weekly.

The Finance Minister said India was 'not obliged to take any prescriptions of their (IMF) which are contrary to our national policy and contrary to the policy adopted by Parliament. We have made it categorical.'

He was asked whether this could mean that the loan could be cut off.

Mr Venkataraman said one could also foresee 'a situation where we may not ask for further loan. If Bombay High comes through, I may not draw the third instalment at all.'

Emphasising the need to earn

enough foreign exchange to get over the present difficulties, the Finance Minister said, 'we will have to make domestic production competitive with the world. We will have to earn enough foreign exchange surpluses. Otherwise we would have added one more burden to our economy.'

He denied any 'ideological elements' in the IMF loan in the sense of going to the right. India had adopted the mixed economy in which there was a role for the private sector and government would ensure that the role was adequately played.

The Minister said the IMF loan would be used for importing oil, capital goods and raw material for industries.

CSO: 4220/7447

## BRIEFS

INDIA-UAE PANEL--Abu Dhabi, Nov 17--Several ideas on economic cooperation between India and the United Arab Emirates (UAE) will be given concrete shape when the Foreign Ministers of the two countries, Mr P. V. Narasimha Rao and Mr Rashid Abdulla, meet here on January 3 and 4 for the Indo-UAE joint commission session. According to authoritative sources here, the two Ministers will follow up each other's proposals made at the first meeting of the commission in New Delhi last year which covered various industrial and banking projects. Decisions are likely on a joint refinery and a fertilizer plant using UAE resources and Indian technology and expertise. Sources said that relaxation of investment facilities for Arab investors in India will also be discussed in view of the talks Arab businessmen have been having with Indian authorities in the recent past, particularly at the time of the Prime Minister, Mrs Gandhi's visit here in May.--UNI. [Text] [Madras THE HINDU in English 18 Nov 81 p 5]

HYDROCHLORIC ACID TO USSR--Bombay, November 29--The Soviet Union will import 80 tonnes of hydrochloric acid worth Rs 47 lakhs from India during 1982. A contract to this effect was signed in the Soviet pavilion of the India International Trade Fair on last Tuesday. Speaking on the occasion, Mr E. I. Zamolodchikov, commercial director, USSR pavilion, said that it was for the first time that the USSR was importing hydrochloric acid, used as an intermediary for the production of dye stuff. In future, he noted, the USSR will conclude more contracts with other Indian firms for the purchase of hydrochloric acid, for which negotiations are now in progress. [Text] [Bombay THE TIMES OF INDIA in English 21 Nov 81 p 10]

NAVY CHIEF OF STAFF--New Delhi, Nov 18--Vice-Admiral O. S. Dawson, Flag Officer Commanding-in-Chief, Southern Naval Command, will take over as the Chief of the Naval Staff from Admiral R. L. Pereira on his retirement on March 1 next. Vice-Admiral Dawson was commissioned in the Navy in July 1944. He has held many important posts including those of Flag Officer Commanding, Eastern Fleet, General Manager, Goa Shipyard, and Commanding Officer of INS Nilgiri and INS Talwar. He was promoted Rear Admiral in September 1976, and Vice-Admiral in April 1979. During the 1971 operations, Vice-Admiral Dawson was the Director of operations at the Naval Headquarters in New Delhi. He was awarded the Param Vishisht Seva medal and the Ati Vishisht Seva medal--PTI. [Text] [Madras THE HINDU in English 19 Nov 81 p 1]

SHOES TO GDR--The State Trading Corporation (STC) has concluded a contract for supply of 8.72 lakh pairs of leather shoe uppers valued at Rs 8.45 crore with the German Democratic Republic (GDR), reports UNI. The contract was signed on



Wednesday by Mr A K Sen, Group Executive of STC and Mr E Schorsch Deputy Director General of Interpelz of GDR at the India International Trade Fair in the Capital. Mr Schorsch leader of the 'shoe upper' delegation is currently visiting India. The present contract was the third major deal negotiated by STC this year. [Text] [New Delhi PATRIOT in English 19 Nov 81 p 12]

IRON FROM PAKISTAN--Islamabad, November 19 (PTI)--India has contracted to import 10,000 tonnes of pig iron produced at the newly set up Pakistan Steel Mills in Karachi, it was reported yesterday. The chairman of the Pakistan Steel Mills, Mr H.N. Akhtar, told reporters in Karachi that the deal with India was part of an export order of 31,000 tonnes of pig iron worth \$3.41 million finalised so far. [Text] [Bombay THE TIMES OF INDIA in English 20 Nov 81 p 1]

SAUDI PLAN SUPPORTED--New Delhi, Nov. 20--India today lent its formal support to the Saudi plan for a peaceful settlement on the West Asia crisis. The External Affairs Minister, Mr P. V. Narasimha Rao believes that the plan put forward by Prince Fahd is consistent with the Indian stand in that it recognizes the importance of the Palestinian issue and that it provides for the recognition of the PLO as the sole representative of the Palestinians. The Fahd plan has found considerable support even among the Arab countries even though it guarantees Israel's right to exist as a sovereign Independent State. [Text] [Calcutta THE STATESMAN in English 21 Nov 81 p 1]

HANDICRAFT GOODS TO USSR--New Delhi, Nov 20--Three contracts were signed between Indian and Soviet firms here today for the export of Indian handicraft goods and paints and import of Soviet art albums. The handicrafts agreement, worth over Rs 30 crores, was signed at the Indian International Trade Fair by Mr J.C. Sarin, General Manager of the Handicraft Handloom Export Corporation and Mrs N. Lebedkina and Mr Pevukhin on behalf of 'Novexport' of the Soviet Union. The Soviet Union has been a traditional buyer of Indian handicraft articles made of bronze, wood and ivory and its purchases were worth Rs 6.5 crores in 1978. While one Indian firm will export paints worth Rs 1.5 crores in 1982, another India firm will get Soviet books and periodicals, mostly art albums--PTI. [Text] [Madras THE HINDU in English 21 Nov 81 p 7]

PETITION AGAINST ENVOY--New Delhi, Nov 20--The Delhi High Court today dismissed as "misconceived" a writ petition challenging the appointment of Mr Jose Perez Novoa as the Cuban Ambassador in India. The Chief Justice Mr Prakash Narain and Mr Justice S.S.Chaddha dismissed the petition in limine. The Bench observed that the petitioner, Mr Pran Nath Lekhi, Vice-President, Delhi unit of the Bharatiya Janata Party, "cannot be allowed to invoke the jurisdiction of the court to grant him any relief as the courts in India are a limb of the State, in the larger perspective, and are bound to ensure that the dignity of the Cuban Ambassador is maintained." The Bench observed that the petition was "misconceived" and said that Mr Lekhi's counsel, had not averred that the State of Cuba was in any way in breach of its obligations arising under the Vienna convention or diplomatic relations. Nor was it Mr Lekhi's case that the Indian mission or members thereof in Cuba were enjoying any privileges which were less than those conferred on the Cuban Ambassador or Cuban diplomats by the Central Government.--PTI [Text] [Madras THE HINDU in English 21 Nov 81 p 7]

**PACT WITH INDONESIA**--Jakarta, Nov 21--India and Indonesia have entered into an agreement for cooperation in industry. The agreement, signed on Friday by the Union Minister of Commerce, Mr Pranab Mukherjee and the Indonesian Industry Minister, Mr A. R. Soehoed, covers the development of small-scale industries and the steel and cement sectors. India will also assist in setting up tool rooms in Indonesia. India has expressed interest in buying Indonesian cement now going to Pakistan, Bangladesh and Singapore--Antara. [Text] [Madras THE HINDU in English 22 Nov 81 p 12]

**PRINTING MACHINES FROM GDR**--East Berlin, Nov 21--Andhra Pradesh will buy printing machines, worth Rs 1.60 crores from the GDR. A contract for this has been concluded by the Andhra Pradesh Education Department Secretary, Mr Gopakrishnan and the Director of the Government Printing Press for textbooks, Mr Naidu, during their visit to Leipzig. [Text] [Madras THE HINDU in English 23 Nov 81 p 5]

**MACHINERY FROM USSR**--A Rs 9.5 crore contract has been concluded for the supply of scrapper conveyors and crushers to the Soviet Union, reports UNI. The contract has been signed between the Mining and Allied Machinery Corporation of India and the Soviet Firm Metallurg-Import in New Delhi. A spokesman of the USSR Information Department in New Delhi said some other deals were also being negotiated between the two countries at the Trade Centre of the India International Trade Fair. The scrapper conveyors will be manufactured in the MAMC's Durgapur plant and the deliveries completed next year. Soviet day was celebrated on Monday at the fair. Mr V. P. Yakunin, Minister-Counsellor in the USSR Embassy, said one of the objects of Soviet participation in the fair was to promote trade between the two countries. [Text] [New Delhi PATRIOT in English 24 Nov 81 p 10]

**AID TO UGANDA**--New Delhi, November 25--The Indian engineering industry has offered full cooperation to the Ugandan government in the rehabilitation of the war-torn country's economy. An industrial mission of the Association of Indian Engineering Industries has just returned from Kampala after identifying the specific areas of cooperation. These talks will now be followed up through a concrete plan of action. The task of the private sector in the two countries has been made easy as a result of the agreements on trade and industrial cooperation signed by the two governments here yesterday. The Ugandan ministerial delegation accompanying the President, Dr Milton Obote, had a meeting with the association (northern branch) here yesterday. Mr S. S. Kanwar, who had led the mission to Uganda, said Indian entrepreneurs could help in the rehabilitation and modernisation of sugar, paper, cement, textile and pulp industries. They could also set up joint ventures with Ugandan associates. [Text] [Bombay THE TIMES OF INDIA in English 26 Nov 81 p 7]

**INCREASED CZECHOSLOVAKIAN TRADE**--A 40 percent increase in India's trade with Czechoslovakia is envisaged for 1982 with a turnover of around Rs 340 crore bothways, under a new protocol signed on Wednesday, reports PTI. India's exports to Czechoslovakia are likely to go up from Rs 125 crore in the current year's trade protocol to Rs 180 crore under the protocol which Mr S K Sarkar, Joint Secretary for the Commerce Ministry, signed for India and Mr J Garcar, director general of the Ministry of Czech Foreign Trade, for his country.

Joint projects in either country with buy back arrangements, third country projects and joint bidding in global tenders are some of the ways the two countries could strive to improve bilateral economic relations, it was stated. An announcement of the protocol said there was scope for export of coke oven batteries, heavy duty transformers and electric motors made by the Heavy Engineering Corporation and the Bharat Heavy Electricals. During talks between the two sides it was agreed that earnest efforts should be made to actually achieve targets provided in the trade protocol for 1982. [Text] [New Delhi PATRIOT in English 26 Nov 81 p 2]

SOVIET SHIPS' VISIT--Bombay, November 27--Three ships of the Soviet navy Savastopol, a cruiser, Revnostny, a frigate, and Vladimir Kolehizky--under the command of Rear-Admiral M.N. Khronopulo, senior commanding officer of the squadron, arrived on a five-day routine visit to the city this morning. Rear-Admiral Khronopulo and the commanding officers of the ships called on Vice-Admiral M.P. Awati, flag officer commanding-in-chief, western naval command, and Rear-Admiral J. G. Nadkarni, flag officer commanding the western fleet. [Text] [Bombay THE TIMES OF INDIA in English 28 Nov 81 p 7]

JOINT PROJECTS WITH SRI LANKA--India and Sri Lanka have agreed to explore avenues for joint ventures in third countries and the area of transfer of technology. The possibilities were discussed when Sri Lanka Minister for Trade and Shipping Athula Mamudali called on Commerce Minister Pranab Mukherjee on Saturday. The visiting Minister also expressed concern over the way talks on Multi-fibre Arrangement (MFA) was going. He hoped that the developed countries would adopt reasonable attitude. Mr Mukherjee said there was much scope for cooperation among the Third World countries and which, besides MFA talks, deserves to cover areas like International Commodity Agreement. Both the Ministers agreed that bilateral trade between the two countries has been satisfactory and could be further increased. Trade between India and Sri Lanka is governed by Trade Agreement signed in 1961. In June 1968, Indo-Ceylon (Sri Lanka) Joint Committee for Economic Cooperation was set up with the objective of mutual trade organisation of industrial cooperation and promotion of tourism. At Saturday's meeting it was also agreed that the next meeting of the Commission would be held in Colombo in 1982. The Sri Lanka Minister earlier called on President Sanjiva Reddy and was with him for about half an hour, adds PTI. [Text] [New Delhi PATRIOT in English 29 Nov 81 p 7]

CSO: 4220/7451

## EDITORIAL DISCUSSES NEED TO COUNTER ENEMY PROPAGANDA

Phnom Penh KANG TOP PADEVAT [REVOLUTIONARY ARMY] in Cambodian 10 Aug 81 pp 1, 6]

[Article: "We Must be Careful and React Against Harmful Enemy Propaganda"]

[Text] Under the correct and wise leadership of the Kampuchean Peoples Revolutionary Party and with sincere support from the fraternal Vietnamese people and VPA the Kampuchean people have achieved during a period of more than two years many victories which have a tremendous extent and significance both within the country and among the international community.

Meanwhile, the shameful defeat became greater for enemies of the Kampuchean revolution and people, i.e., the Pol Pot-Ieng Sary- Khieu Samphan genocidal clique, the reactionary Sihanoukist, and Son Sann groups together with their masters, the American imperialists and the Beijing Chinese expansionists. This bitter shame pushed them to increase further all sorts of activities against the Kampuchean revolution. Despite sharp world-wide criticism and condemnation of their contemptible acts, they are still madly going on with the killing and shamelessly misleading people in order to win. In connivance with U.S. imperialism, the Beijing Chinese expansionists has demonstrated numerous maneuvers and tricks intended to mislead public opinion and to create a new regime of genocide on Kampuchean territory. They sent Kampuchean refugees back pretending the latter are "voluntary repatriates who try to create a so-called united front" to fight against Vietnamese troops. They have jointly organized in New York City a meeting of a so-called International Conference on Kampuchea, etc. But we are clearly aware that those maneuvers have already failed completely. Along with those activities, they have waged many types of psychological warfare such as despicable propaganda to instigate rebellion among our population and to extinguish the fighting spirit of our army. They have resorted to calumnies to disrupt the solidarity between Kampuchea and Vietnam.

On the other hand, they try to find the way to insert into our army ranks their agents to carry on their propaganda and to divide us internally and internationally. They know very well that the strong solidarity between Kampuchea and Vietnam is an obstacle which obstructs their vile intentions. For that reason, all their maneuvers are aimed at destroying such a precious solidarity. But the people and Revolutionary Army of Kampuchea fully understand the value of this solidarity which constitutes a powerful factor for our revolution and a vital necessity for our people.

In order to counter enemy maneuvers, all our cadres and fighters must further enhance their vigilance to clearly recognize our enemy: the bloody clique of Pol Pot- Ieng Sary- Khieu Samphan, the traitors Sihanouk - Son Sann, their masters the Beijing Chinese expansionists, the U.S. imperialists and their lackeys.

We must promptly uncover and eliminate, all poisonous and dangerous tactics from those people who intend to undermine the revolutionary forces by disrupting the solidarity between Kampuchea and Vietnam. We must strengthen our firmness against the traitors and their masters and not let them attract us both spiritually and materially by their propaganda or deceitful activities. We must always be alert to the rumors, slanders and lies that are aimed at diverting our combative spirit.

We should observe current Revolutionary Army duties as defined by the Fourth Party Congress which gives priority to the task of defending the motherland. The people, the party and the army have to carry on this task. Our Revolutionary Army must resolutely fulfill all duties as ordered by higher echelons, be ready to fight, wipe out all enemy maneuvers and activities and maintain our vigilance without relaxation. At the same time, we should increase internal solidarity to gain more confidence and brotherly devotion from the people, build solidarity within units and with the people and alert them about the duty to denounce the enemy to our Revolutionary Army without delay. We must especially raise very high the banner of international solidarity, most of all the militant solidarity between our Kampuchean Revolutionary Army and the People's Army of Vietnam. It is necessary to gradually increase day by day our self-reliance instead of relying only on full assistance from Vietnam. We should pursue the consolidation of the Kampuchean People's Revolutionary Armed Forces by improving their feelings of patriotism, on love of the motherland and the revolution and, reinforcing their courage to send their relatives to serve in the Army in order to defend our Kampuchean land, to protect the lives of our people, to preserve our party and revolution which are paving the way for peace in the motherland, for building our beloved Kampuchea in following the direction to total socialism.

9791

CSO: 4212/4



## PRC, THAI BORDER VIOLATIONS AND ANTI-REGIME ACTIVITIES NOTED

Hanoi VIETNAM COURIER in English Oct 81 pp 12, 13

[Text]

I was mid-July 1981. I stood at Tha Deua, a border checkpoint facing Nong Khai, in Thailand, across a narrow strip of the Mekong river about 20 km south of Vientiane. From this side of the river I could see two white men in civilian clothes escorting big, carefully wrapped crates. I counted 20 crates in all. "Is that foreign aid?" "I asked my Lao friends." Aid? Don't you see that they are Americans? At Nong Khai, nobody, not even a child, could mistake them. Those two Americans delivered all the 20 crates to a group of people who were quickly identified by my Lao friends as Lao exiles. Thus, the US is openly delivering arms and food to Lao reactionaries right on the Lao - Thai border.

At Horikhan, a border district 100 km north of Vientiane, a Lao friend told me that not long before several groups of Lao bandits operating on Thai soil had crossed the border and plundered a lot of draught animals from the Lao population. They were all armed with American carbines and anti-tank guns. Many of them were killed or captured by Lao border guards and militia. Those captured later confessed they belonged to platoon or company-size units whose commanders had received training in Maoist-type guerilla tactics from Chinese advisers at camps inside Thailand.

I was introduced to M, a member of the Kor ethnic minority and commander of the militia of village K in Muong Dinh district, Luang Nam Tha province, bordering on China, more than 500 km north of

Vientiane as the crow flies. He was wounded in a battle at the foot of Hill 1878 against a group of bandits smuggled in from China. He was receiving medical treatment at the Lao Xam army hospital, at the time of my visit to Luang Nam Tha.

The group of bandits coming from China was intercepted and wholly wiped out by the militia squad under M's command. One bandit was captured. His name is Khamkhien Uyakhan 25, unmarried, with one son, of the Thai Phuon ethnic minority. He does not speak the Lao Lum, the most widely spoken language in Laos, but is quite fluent in the Lao Sung (also known as Meo) dialect. He was born in Sayabury in Laos. Orphaned in his early childhood, he and his two sisters hired their services to a Meo family then drifted to Thailand when he was ten years old. He later adopted Thai citizenship and lived at Vai Khau village, Chiang Mai province. He testified: "Early in the year 2520 I joined the Thai army and was assigned to an infantry unit of the 3rd Military Sector. In the middle of the year 2522 a group of men from China came to my camp. They recruited many Lao, and I was one of the group. We were later taken to China where we were assigned to the Mang Yeng training camp in Yunnan. There we received training from two Chinese officers known only as Lin and Zhang. We were taught Chinese boxing, handling of assault rifles and anti-tank guns, mine laying and grenade throwing. A year later, we were hustled into a van and driven for ten hours on end in the direction of Muong La..."

The mercenary Khamkhien recruited by China to "make the revolution" did not know how to use the solar calendar but only knew how to count time on the Buddhist calendar. According to this calendar, we were in the 9th month of the crescent moon (there are two 9th months, one of the crescent moon and the other of the waning moon). Thus, on the Christian calendar, he joined the Thai army in 1977, and in 1979 Beijing took him to China to be trained as mercenary. On July 7 of the same year his group composed of twelve bandits, led by Chai U and Khamkhut, started from Muong La camp. They were under instructions to kidnap men from the refugee camps in Nam Ke and Muong Cuc both lying on the border province of Chiang Rai

in Thailand opposite Luang Nam Tha and Sayabury in Laos. Disguised as Lao civilians they crossed the Chinese border and entered Huot Nakha in Muong Man village. But they were quickly discovered by Lao farmers who immediately informed the militia. The intruders were captured at the foot of Hill 1878 while they were felling bamboos. Eight of them who resisted were killed on the spot and some escaped. Their plan had been to cross the river on a raft onto Burma, the river being a natural border between Laos and Burma. Then they would follow the forest track along the Burmese border and enter Thai territory at Chiang Rai.

Here it would be useful to recall an old story related by our Lao friends. In the early 70's the Western press referred to the Maoist groups in Thailand as "Maoist Thais" and described them as rebel groups whose main activities were to spring ambushes, cut off communications and kidnapping. In those days, the Maoists in Thailand began building a system of base camps along more than 400 kilometres in the northwestern part of Nan and Chiang Mai provinces bordering on the Sayabury and Luang Nam Tha provinces of Laos. They even ran a radio installed in Kunming (China). Some other Maoist groups had their bases scattered on this side of the border in Sayabury province. In 1975 when the Lao People's Army came and liberated

this area, it came across abandoned houses littered with the little red books of "Mao Zedong's Thoughts" amidst heaps of empty tins of food "Made in China."

Our Lao friends said that every year at the start of the dry season the Thai army launched mopping-up operations against the Maoists but more often than not the raiders came back empty-handed since the elusive "rebels" always had decamped before government troops moved in, only to reappear at the beginning of the rainy season

to continue their sabotage activities in the border region with Laos.

In 1979 the genocidal Pol Pot regime was overthrown, followed by China's invasion of Vietnam. The Lao Government asked Beijing to withdraw all its military personnel disguised as "road-building workers" in the northern part of Phongsaly province. The ultra-rightists in Thailand openly sided with China in opposing Vietnam and Laos. The Chinese cynically declared that Thailand is "a Chinese bastion against Vietnam in Southeast Asia," and to please Bangkok, they began to "sacrifice" some Maoist Thais and even agreed to close the latter's radio in South China. But in the meantime, deep in the dense forests of the Lao-Thai border China continued to supply arms and food for the Maoists. When the Thai authorities raised the question, Beijing explained that "state-to-state relations are different from party-to-party relations". The Thais living on the bank of the Mekong are not taken in by this threadbare bluff. They read in the newspapers that hundreds of Maoists have surrendered to the government but they remain wary of the hundreds of their comrades who continue to make frequent night forages into the villages to plunder and massacre. They are asking a lot of questions about the whereabouts and activities of Vichit Chongenith, a "communist leader" who is reported to have surrendered to the government in 1979 and up to now concerns himself only with planting coffee and rubber in Thachana district. According to figures made available by the Thai Supreme Command, in the provinces of Surathani, Nakhon and Sihanakul alone, 200 Maoists surrendered in 1979. But the same source said that in

the following year 800 persons took to the maquis to follow the Maoist bands. As a matter of fact, in order to concentrate forces on opposing Vietnam and Laos, Beijing has ordered the Maoist bands in Thailand to reduce their armed attacks against government forces in Northeastern Thailand. Meanwhile, it is stepping up the activities of the Maoist band in the southern provinces close to Malaysia. In this way Beijing hopes to divert Bangkok's attention from the activities of the Maoist groups in the provinces of Nan and Chiang Mai, thus enabling China to open new roads of infiltration, develop its forces and build more guerrilla bases in this area, considered by Beijing as a sanctuary for its henchmen, the Thai and Lao bandits.

These sinister manoeuvres of Beijing are arousing justifiable concern in some political circles in Bangkok. This explains Bangkok's present dual policy with regard to China: while toying China's line in opposing the People's Republic of Kampuchea, it continues its "sweeps" against the Maoist bases in the Northeast. Troops of the Thai Government are in fact encircling several liaison centres of the Maoists codenamed T4 and T6.

Standing on the wooden stairs of a house-on-stilts in a border village of Laos in Sayaburi province and looking westward, I saw clearly armed helicopters and T-28 bombers of the Thai Government

circling and diving on the jungle. The thudding of bombs could also be heard very distinctly. My Lao friend explained: "By striking at the Maoist Thai groups at this time, the Thai Government is striking at the very instrument used by China for a double purpose: lending a hand to the Pol Pot remnants and at the same time disrupting the inner security of Thailand." He added: "Beijing intends to use the Maoist groups in Thailand as liaison posts on the supply route for the Pol Pot forces which runs from China to Kampuchea passing through Burma and Thailand."

THIEU QUANG BIEN

Correspondent of the army paper  
Quen Doi N'han Dan

GOVERNMENT SEEKS BIDS ON MILLING EQUIPMENT

Vientiane BULLETIN QUOTIDIEN in English 7 Dec 81 p 9

[Text] The Government of the Lao People's Democratic Republic has received a Credit from the Asian Development Bank in the amount of US\$ 5.850.000. The ministry of Industry and Commerce invites you for supplying and delivering the items as follows:

a. 1 ton/hour Rice mills Complete with Diesel Engine Powered Drive System. 2 unit

b. 500 Kg/hour Mobile Rice mills Complete with Diesel Engine Powered Drive System. 5 unit

Tenders shall be opened publicly at the M. I. C. at 10:00 o'clock Lao PDR standard Time 6 January 1982. Delivery will be accepted by registered mail or by hand up to 10:00 hours on the Tender opening date.

Requests for tender documents shall be accompanied by US\$ 50.00 for a set of five copies, four copies are required for submission of Tenders. Those wishing to purchase the tender documents by mail shall accompany their request by US\$ 15.00 for mailing charges for each set.

CSO: 4220/161

## INDONESIAN STRATEGIST DISCUSSES POSSIBLE SOLUTIONS TO INDOCHINA PROBLEMS

Bangkok THE NATION REVIEW in English 3 Dec 81 p 5

[Article by Jusuf Wanandi]

[Text] [Part I Not Available]

**CONTINUED FROM YESTERDAY**

This idea is based on collective efforts by all Southeast Asian countries to create a regional order in which different ideologies, political, social, and economic systems adopted by those countries can coexist. Through a regional order the multiplicity and plurality of relations among Southeast Asian countries and the great powers should also be structured. The role and presence of the great powers in the region are indeed recognized, but their presence must be in such a balanced and controlled fashion so that no one of those great powers could have a dominating position.

The ZOPFAN idea is based upon the concept of national and regional resilience, implying that the achievement will largely be determined by their own capabilities and by their own rules of the game. ASEAN's Treaty of Amity and Cooperation not only suggests the foundation and spirit of cooperation but also defines the ways and means by which differences among ASEAN member countries should be resolved.

Whether a regional order for Southeast Asia would be agreed upon by both ASEAN and the Indochina states depends to a large extent upon the resolution of the Kampuchea conflict.

The Kampuchean problem, in fact, provides a test of the feasibility of creating a regional order, particularly of the ZOPFAN idea. It is the belief of the ASEAN member countries that on the basis of the ZOPFAN idea, all Southeast Asian countries could work together in their common strive for the creation of a regional order. This idea has been accepted in principle by Vietnam as well, albeit with minor differences.

It is of prime importance for the realization of the ZOPFAN concept to promote greater cooperation and consultation either of intra-ASEAN member countries or between ASEAN member states and the Indochina states.

The principle idea on the future of Southeast Asian region originating from those two groupings is similar, but it remains unclear whether those two groupings have the same goals as to the role they will play in this region.

Maybe Vietnam would give her consent to the ZOPFAN idea just as a medium-term tactic in realizing her long-term goals to dominate the region, especially by supporting the "progressive-revolutionary" forces in ASEAN member countries. But it seems unlikely that Vietnam could dominate all Southeast Asia region in ten years to come, because of her limited capabilities in the political, economic and military fields since 1979 and ASEAN countries in the meantime have developed their national and regional resilience.

In structuring its relations with Vietnam and the other Indochina states, ASEAN member countries should take into account the long-term goals of Vietnam and try to base its relationship with Vietnam upon the same idea on the future of Southeast Asia, especially in structuring their respective relations with the great powers in this region.

**Obstacles For ZOPFAN Idea and How to Settle Them**

It is indeed in the interest of ASEAN to find a political solution to the Kampuchean conflict as soon as possible.

This conflict has become the obstacle to the realization of natural and good relationship between ASEAN and the Indochina states. It also makes realization of the ZOPFAN idea more difficult,

because the establishment of a regional order in Southeast Asia cannot be put into reality without the participation of viable Indochina countries. More importantly, a protracted conflict in Kampuchea will increase the presence of great powers in the region, intensify their rivalries, and also increase their role in the region so as to dominate the future of Southeast Asia countries. These two reasons could cast the feasibility of the ZOPFAN idea in doubt for the near future.

The prospect for the solution to the Kampuchean conflict will not come about in the near future, because it is not limited to a regional matter. The conflict involves the great powers, China, the Soviet Union and the United States, and stands in the way of creating a regional order in Southeast Asia.

From the Indonesian point of view, the following needs to be considered:

Firstly, ASEAN unity and cooperation in seeking a political solution to the Kampuchean conflict should be increased through the establishment of a more permanent policy planning agency, because, up to the present time all planning activities have been executed on an ad hoc basis.

Secondly, Thailand's views, because of her position as the front-line state, should be better understood by the other ASEAN member countries, especially her concerns on the shifting balance of power in mainland Southeast Asia as a result of Vietnam's invasion and military involvement in Kampuchea.

Meanwhile Thailand should take into account PRC's role and involvement in the Indochina conflict which could have effects on the stability of Thailand itself. In the coming six months or so, the Ad Hoc Committee of the United Nations International Conference on Kampuchea should be given the opportunity



to find new ways to solving this conflict through diplomatic initiatives and approaches.

Although these actions might give little hope for the solution to the Kampuchean conflict, it would give some time to ASEAN member countries to re-visiting those new developments up to some time in the near future for setting up new ways and fresh approaches to the common problem they face, *inter alia* by establishing the above-mentioned policy planning agency.

Thirdly, approaches from the ASEAN member states to Vietnam, primarily by those member countries, such as Indonesia and Malaysia, who have good relationship with that country. These approaches are useful in keeping good relationship with Vietnam, for explaining ASEAN's attitudes and interests with regard to the Southeast Asia region, and for developing a better understanding of the policies and attitudes of Vietnam, and finally for strengthening Vietnam's confidence that ASEAN has a different opinion and stand from that of PRC or the United States, namely that ASEAN see the need for a role of Vietnam in Southeast Asia, a Vietnam which is viable, strong and responsible for realizing the ZOPFAN idea.

On the other hand, Thailand and Singapore could make the same approaches to China so that she will become more flexible in seeking a solution to the Kampuchean conflict.

If the PRC refuses to participate in seeking a political solution to that conflict, her relation with Indonesia (and Malaysia) could become worse in the future. In the approach to get the confidence of the PRC, the role of the United States constitutes an important part because of the "China factor" in her foreign policy considerations and public opinion against Vietnam.

Fourthly, for the present time it cannot be ascertained whether the initiatives and approaches from the ASEAN member countries would result in a regional or international conference or not.

Vietnam believes that a regional conference is the means for seeking a solution to the Kampuchean problem. She could accept the presence of five permanent members of the United Nations Security Council and the United Nations Secretary General personally as observers to that regional conference.

On the other hand, ASEAN is of the opinion that any regional conference should have some link with the international efforts, for instance as a preparation for or as a part of the international conference to solve the Kampuchean problem.

The reason behind this is that the Kampuchean problem and conflict have attracted the involvements of the great powers in to the region so that a solution to this matter could only be possible with the participation and support of those great powers.

### *The Future Of Southeast Asia*

The problem as seen from the Indonesian perspective is whether a comprehensive and international solution to the Kampuchean conflict would be realized in the short term.

ASEAN would, in fact, not gain anything from exercising continued pressures on Vietnam so as to weaken Vietnam in a period of 5 to 10 years to come, as aimed by the PRC. If the compromises as proposed by ASEAN member countries could not be achieved, due to lack of political will to give mutual concessions from any party concerned, either the PRC or Vietnam, the Southeast Asia region would face a gloomy future. This will lead the region into greater conflicts and harsh instability.

Some scenarios on the future of the Southeast Asia region could be described as follows:

1. The Kampuchean conflict would be protracted for a longer period because its solution would be more dependent on the conflicting great powers, whether between Vietnam versus the PRC, the Soviet Union versus the PRC, or the Soviet Union versus the United States.

These multiple conflicts would not be explosive enough to start a war; but they, albeit in a controlled situation, could create some sense of instability in the region. In such a regional instability the ASEAN member countries would be confronted with a dilemma of siding either with the joint interests of Vietnam and the Soviet Union or those of the PRC and the United States. Such a situation would certainly affect the unity and integrity of ASEAN:

(a) ASEAN would be relatively united for some period to come, but it would slowly be brought into the difficult choice of taking side between the conflicting parties; in case Vietnam would not like to compromise, Thailand's concerns as the frontline state would be supported by the other ASEAN member countries; also because of ASEAN's economic relations with the United States and Japan.

(b) ASEAN's unity would be preserved and together they could maintain a common attitude of not taking side with any one of the conflicting parties. This contingency could materialize if the conflict situation in Thailand's border could be controlled in its size and level.

(c) ASEAN could be divided because on the one hand Thailand could be more

closely related to the PRC and the United States, and on the other hand Indonesia and Malaysia would be more intimately related to Vietnam (although for the time being she is being supported by the Soviet Union). This situation is possible because of the different perceptions of threat, namely whether Vietnam or the PRC constitute the greater and more urgent threat to ASEAN member countries.

2. The Kampuchean conflict would become uncontrollable if the great powers such as the PRC, the Soviet

Union as well as the United States were to have greater direct involvements.

This situation may arise if Vietnam would use a large force to attack Thailand and overrun Thai forces along the Kampuchean border in order to affect some policy changes on the Thai government which is regarded by Vietnam as pro-PRC.

In this kind of a situation one could imagine that the PRC would not remain passive. She would punish Vietnam; and, in turn, this action would cause the Soviet Union to react to the PRC more clearly in order to maintain her credibility in the eyes of her proxies.

It would be very difficult to imagine the kind of actions President Reagan would take in dealing with that situation; this could be in the form of increased arms supplies to Thailand or the PRC, and even by giving air cover, surveillance capabilities and intelligence capacities to Thailand.

If the crisis was to escalate in such a manner, it would be very difficult for the other ASEAN member countries to refuse Thailand's demand or request of ASEAN supports, either in the economic, political or military terms, even though ASEAN's capabilities in the latter field is still minimal.

To thwart this "worst-case scenario," ASEAN member countries should necessarily take some actions.

They should be active and creative in seeking the solution to the Kampuchean conflict as quickly as possible.

To this end, ASEAN's unity and integrity constitute the most important factor; and the United States support to ASEAN moves and actions to that end is of prime importance as well. The unity and integrity of ASEAN could be reached at the present time if Thailand could be encouraged to feel more secure and more confident in herself. In the meantime, a serious effort from ASEAN should be performed together in order to get United States support to ASEAN's idea of compromise as a way to reach a comprehensive political solution to the Kampuchean conflict. This effort should be pursued continuously by ASEAN, because US support until now has not been sufficient because of the "China factor" in US foreign policy and public opinion in the United States against Vietnam.



In addition to those actions, Indonesia and Malaysia should increase their efforts in maintaining open channels of dialogues and consultations with Vietnam in order to strengthen Vietnam's confidence in the seriousness of ASEAN efforts to seek and reach a political and comprehensive solution to the Kampuchean conflict. These dialogues and consultations would pave the way for the good relationship between ASEAN member countries and the Indochina states.

CSO: 4220/160

BANGKOK 'POST' CARRIES MORE ON NESDB REPORT

BK040350 Bangkok POST in English 4 Jan 82 pp 21, 23

[Text] The Thai economy will expand at a satisfactory rate this year, with the gross domestic product expected to grow by 6.7-7 percent due to the recovery of world economy, improvement in the tight money situation and lowering inflation rate, according to the National Economic and Social Development Board.

The NESDB's 24-page economic report containing the economic situation in 1981 and forecasts for 1982 was submitted to the cabinet at its meeting last week.

The declining interest rates will help the industrial sector and private investment expand rapidly, the report noted.

This year's inflation rate is expected to be about 10 percent lower.

The country's trade deficit in 1982 will continue to be high at about 69,000 million baht, but the balance payments may not be in the red if the government enforces strict monetary policy.

Foreign debts are expected to increase rapidly, however, to total U.S. \$5,963.9 million, and the debt service to export earnings ratio is expected to rise from 6.8 percent last year to 7.6 percent in 1982.

The NESDB report indicated that GDP growth rate was 7.8 percent last year as against 5.8 percent in 1980 and agricultural production grew at an acceptable rate due to favourable weather conditions.

Private investment has not recovered from a slump in the preceding year and production of the industrial sector, mining and construction remained low due to world economic difficulties and high interest rates.

Government revenue in the 1980-81 fiscal year totalled 110,400 million baht below target; however, the total revenue in 1981-82 is expected to increase to 130,000 million baht.

The country's exports in 1981 were lower than expected and totalled only 154,000 million baht, causing the trade deficit to reach 65,000 million baht, the report said.

As for the agricultural sector, NESDB noted that expansion last year was 5.3 percent, a big gain over 1.9 percent in 1980. The growth rate of this sector will slow down in 1982, however, to around 2.7 percent mainly because of the limited plantation areas.

Rice production was estimated at 15.8 million tons in 1981 and expected to increase further to about 16 million tons this year. Rice production in the second rice crop is expected to be about 2.2 million tons in 1982, up from 2 million tons last year.

Maize production in 1981 totalled about 3.45 million tons compared with 3.15 million tons the year before. It was expected to rise further to 3.5 million tons this year.

Sugarcane output in 1981 was estimated at some 24-25 million tons and likely to drop to 22.5 million tons this year as planters are faced with declining price due to over-production.

Tapioca production, 16 million tons in 1981 and 13.8 million tons in 1980, was expected to fall to 15.5 million tons because of the declining price.

The fishery sector remained difficult last year although the problems were not as severe as in 1980. Production of this sector dropped by 4-5 percent and the growth rate of this sector this year is expected to be close to that of 1981.

The industrial sector, meanwhile, showed signs of recovering from the slump in 1980 with an expansion rate last year being about 8.4 percent as against 4.8 percent in 1980. Expansion of this sector is expected to continue at a higher rate of 9.5 percent in 1982 due to an expected recovery of world economy, improvement of tight money situation and declining interest rates.

The mining sector was expected to grow by 3.4 percent in 1981 due to the setback in the first half of the year. It will improve significantly this year, however with the increased utilisation of the natural gas from the Gulf of Thailand. Growth rate of the mining sector in 1982 is expected to be as high as 14.4 percent.

The construction sector continued to experience difficult times in 1981, with expansion rate being only 6 percent. Private construction is expected to recover this year, but government budget for construction will decline as the government plans to cut back spending in this sector. Expansion of the construction sector is expected to improve slightly, with the growth rate being, 6.3 percent this year.

Investments by the private sector last year did not show any significant improvement over 1980, but the situation is expected to be better in 1982 with the growth rate being about 7.1 percent.

Investments by the government sector in 1981 expanded by 21 percent, but this was still lower than the expansion rate of 31 percent in 1980. Government

investments will increase at a lower rate this year, however, to about 7 percent as major investments by state enterprises began to slow down.

Inflation rate declined further in 1981 from the preceeding year with the consumer price index dropping from 19.6 percent in 1980 to about 13.5-14 percent in 1981. Inflation is expected to decline further to about 10 percent this year.

Total exports in 1981 were about 154,000 million baht as against 132,000 million baht in 1980 or an increase of 16.5 percent. The country's export performance will continue to improve to 182,000 million baht or an increase of about 18.2 percent over last year.

Imports, meanwhile, increased by about 15 percent in 1981, with the total import value being 219,000 million baht, but will rise at a lower rate this year, with the growth rate being 14.6 percent or about 251,000 million baht due to the cut-back in energy import.

CSO: 4220/163

# GEN ATHIT SAID TO ENHANCE ROLE OF PARAMILITARY FORCES

Bangkok SIAM MAI in Thai 29 Aug 81 pp 12-15

[Article: "The Commander and the Commander In Chief of the Army"]

[Text] [Then] Major General Athit Kamlangek, the commander of the Civil, Police and Military Unit in Loei Province, which is the area of responsibility of the Second Army Area, put himself into the limelight through his communist suppression activities, in which he was able to use "every type and every kind" of warfare to defeat the communists in the area mentioned above. Since then, his reputation has soared to the point where he has been called a "model Thai." It was from this point that the military career of then Major General Athit made continual progress, and within only a few years -- who would have guessed -- Lieutenant General Ahtit Kamlangek, the commander of the First Army Area, was said to be in control of the largest number of forces and to have the greatest power in the army.

## The Path of Lieutenant General Athit Kamlangek

[Then] Major General Athit Kamlangek was transferred to become the commander of the Royal 1st Infantry Division. Later on, he was the only officer who dared to petition General Prem Tinsulanon, the commander in chief of the army, asking him to extend his [Prem's] term as army commander in chief 1 year. For this action, Maj Gen Athit did not receive much personal benefit. He was transferred to become the deputy commander of the Second Army Area, and it was expected that if Lieutenant General Lak Salikhup, the commander of the Second Army Area, was transferred to become the deputy commander in chief of the army, Maj Gen Athit would have a chance to become the top man in the northeast, the area where this general would hold the most influence, that is, he would be the commander of the army area.

But when the coup d' etat of 1 April occurred, Maj Gen Athit was the principal commander who sent forces to oppose the coup. In the Second Army Area, he invited his majesty the king and high-ranking officers to come to Korat, and he supervised forces from various



sectors and led them to victory over the revolutionary council in Bangkok. While suppressing the coup of 1 April, he was the head of the National Peace-Keeping Command (NPPC), which had authority over the army, air force, navy and police.

After the revolutionary council was suppressed, Lieutenant Gen Wasin Isarangkun Na Authaya, the commander of the First Army Area who had joined the rebels, was relieved of his command. Maj Gen Athit was promoted to lieutenant general and made commanding general of the First Army Area.

After that, Lt Gen Athit began to establish a much tighter administrative system in the First Army Area. The 9th Division at Kanchanaburi was placed under the control of the commanding general of the First Army Area instead of being directly subordinate to the commander in chief of the army.

At present, concerning military power, the greatest number of troop centers is under the control of Lt Gen Athit, the commanding general of the First Army Area.

#### Conservatives Enhance the Prestige of the Commanding General of the First Army Area

After the coup of 1 April, the conservatives were unhappy about the political stirrings in the army and they made an effort to suppress this trend. The conservatives were quite satisfied with the role played by Lt Gen Athit, and the enhanced role of the conservatives was a trend that increased the power and prestige of Lt Gen Athit.

The conservatives were unhappy that the dictatorial atmosphere was being relaxed and that there were more freedoms in the later period since the advantages of the conservatives were being reduced. And during the period when the soldiers who were for reform in solving problems tried to solve the problems, this was viewed as slow and impractical and the reform movement was viewed as having been infiltrated by the communists.

The army played the greatest role in carrying on reforms, and the period before the events of 1 April was considered the golden age of the reformers in the army. But when the reform group was suppressed, the conservatives in the army easily reversed things and took over.

The conservatives stress the maintenance of security and military suppression. Thus, during the past several months since the coup of 1 April, the forces of the conservatives have greatly increased their role in the army and throughout the country.

## Preparing Mass Forces

The Volunteer Defense Corp (VDC) was considering expanding into a mass force of the government and reaching a strength of 1 million people throughout the country. But before this was carried out, it was restricted by the policies of some elements of the reform group in the army. But after the role of this group was reduced, the aims of this mass volunteer power group were changed to resemble those of the Village Scouts prior to the events of 6 October 1976. Besides this, the Village Scouts, which had lost power during the period when Mr Thanin Kraiwichien was in office, were again strengthened.

After the coup of 1 April, almost every province around Bangkok held ceremonies to display the power of these Thai volunteers and greatly increased the efficiency of these volunteers in certain tasks.

Lt Gen Athit Kamlangek plays a rather important role in controlling the Volunteer Defense Corp within the area of responsibility of the First Army Area. Thus, in addition to military forces in the First Army Area, the present commanding general [of this army area] also has great influence over these armed volunteers and can easily use them as military units.

Another force that has recently been formed is the 7 to 8 million-strong reserve force that has been mobilized in order to be prepared to fight the country's enemies. General Prem Tinsulanon is in control of these reserve units.

## Special General of the Army

It is expected that the position of special general will be created in the army in conditions in which an officer must carry out special activities in the army and perform special duties whenever a crisis arises. He will have the authority to give commands to the three branches of the armed forces and to the police so that activities can be carried out quickly in accord with orders. This proposal was made by the Directorate of Operations. It claims that an experienced general is needed and would be of value because the army would have a knowledgeable and capable person who could provide help.

Army news sources have stated that it is possible that Lt Gen Chuan Wannarat, the commanding general of the Fourth Army who will retire this October, may be given this position.

Besides this, since the coup of 1 April, there has been the idea of repaying those officers who stood side by side with the Volunteer Defense Corps. Lt Gen Pin Thammasi, the assistant commander in chief of the army, was made deputy commander in chief of the army for 35 days in repayment just as Lt Gen Sima Panikabut was honored by being made a full general and given the position of assistant commander in chief of the army for 35 days.

Generals were rewarded because of the attempt to enable the army to have as much "cooperation from the conservatives" as possible.

Several groups have commented that there should be another position as special general for Lt Gen Athit, the commanding general of the First Army Area who acted as if he were both the supreme commander and the commander in chief of the army during the conflict with the revolutionary council.

Preparing [to have] a special general to carry out special duties is similar to the attempt to appoint a deputy police director-general for special affairs to carry out tasks concerning suppressing riots and stopping sabotage.

While the conservative tide does not yet show signs that the conservatives again want to hold total power, it can be seen that there is a strong wave of preparations for making advances. More money and power have been given for security and suppression activities.

During the past 2 months, the conservatives have been able to push forward appeals to create political and military security for themselves to the point where they have almost put a halt to economic development. Talk concerning some economic activities has ceased but activities concerning security are flourishing, and it is certain that all political and military security activities will fall within the tight sphere of the man who controls the military centers. At present, it can almost be said that if someone asks to use forces to carry out some activity, Lt Gen Athit, the commanding general of the First Army Area, will have some role to play concerning almost every matter.

The Commander and the Commander In Chief of the Army

Even though Lt Gen Athit presently holds only the position of commanding general of the First Army Area, if we look at the reason we see that the forces of the First Army Area are [the forces] nearest to the capital, the civilian volunteers are in the First Army Area and the future role in supervising the three service branches all show that the commanding general of the First Army Area is an important key and the heart of the conservatives.

No matter how much the present commander in chief of the army strives to have independence in command, the amount of power he holds and the new system that has been implemented in the army will probably reduce the importance of the position of army commander in chief this year as compared with before. The person with the strongest powers of command is probably Lt Gen Athit Kamlankek. While he may or may not become commander in chief of the army in the future, he is an important commander who has power virtually throughout the country and he can turn the course of politics in any direction he wants.

11943

CSO: 4207/51

## POLICE OPERATIONS CENTER DESCRIBED

Bangkok SIAM MAI in Thai 29 Aug 81 pp 21, 22

[Article: "The Police Operations Center, a Secret Structure"]

[Text] One news item that was disclosed says that General Prem Tinsulanon allowed two generals close to him to draft a constitution. Later, a conference, called "A Secret Structural Adjustment," of high-level officials from the Ministry of Defense and the Ministry of Interior was held in order to discuss the activities of these two important ministries.

After this, new types of organizations were formed. For example, a "Volunteer Youth Defense Group" was formed in order to prevent youths from being drawn into becoming a united front or an armed force of the Communist Party of Thailand; training on gathering information for the authorities has been stressed. Also, a Police Operations Center (POC) has been established. Both of these organizations are subordinate to the Ministry of Interior. As for the Ministry of Defense, it has formed [a group called] "Reservists for National Security" who are trained so they will be ready for combat. Composed of both soldiers and civilians, the group has 7 to 8 million members and is concerned with political, economic and social aspects.

These forms mentioned above can be likened to a "secret structural adjustment," an attempt to create a "military state!"

These organizations have already begun to carry out activities. The Police Operations Center, or the POC, a new element of the Police Department, used the principles of the chairman of the joint chiefs of staff to establish the system in accord with Police Department Order 862/1981. The POC was established with the aim of supervising and managing all units in the Police Department and having unity in carrying out the tasks in accord with the wishes of the commander and the situation. It will be a center that coordinates all units both within and outside the Police Department. This is the aim that was stated in this order on organizational adjustment.



The POC is divided into three main sectors: administration, operations and special activities.

1. The Administrative sector is divided into five units:

The personnel unit is responsible for setting policies and making plans, managing and coordinating the work, supervising the administrative work of individuals in general and following results and supervising the activities of the various units in the Police Department that are in the personnel sphere.

The intelligence unit is responsible for such things as analyzing and evaluating all types of intelligence, countering [false] intelligence, compiling manuals on the combat forces and actions of the enemy and gathering and reporting information.

The policy and planning unit is responsible for setting policies, making project plans and stipulating measures concerning the suppression of crime and the maintenance of national security.

The support unit helps procure equipment, supervises things concerning maintenance, disbursement, distribution and transportation, administers and supervises things concerning immovable property and provides training and education concerning the support field.

The assistant accounting unit carries out tasks concerning the budget and financial projects.

2. The operations sector is divided as follows:

The administrative unit is responsible for carrying out the clerical work, setting the regulations, orders and policies of the Police Department and coordinating the public relations activities of the Police Department.

The communications unit is responsible for compiling the information and reports that were issued by the communications centers in the Police Department over radio, teleprinter and telephone.

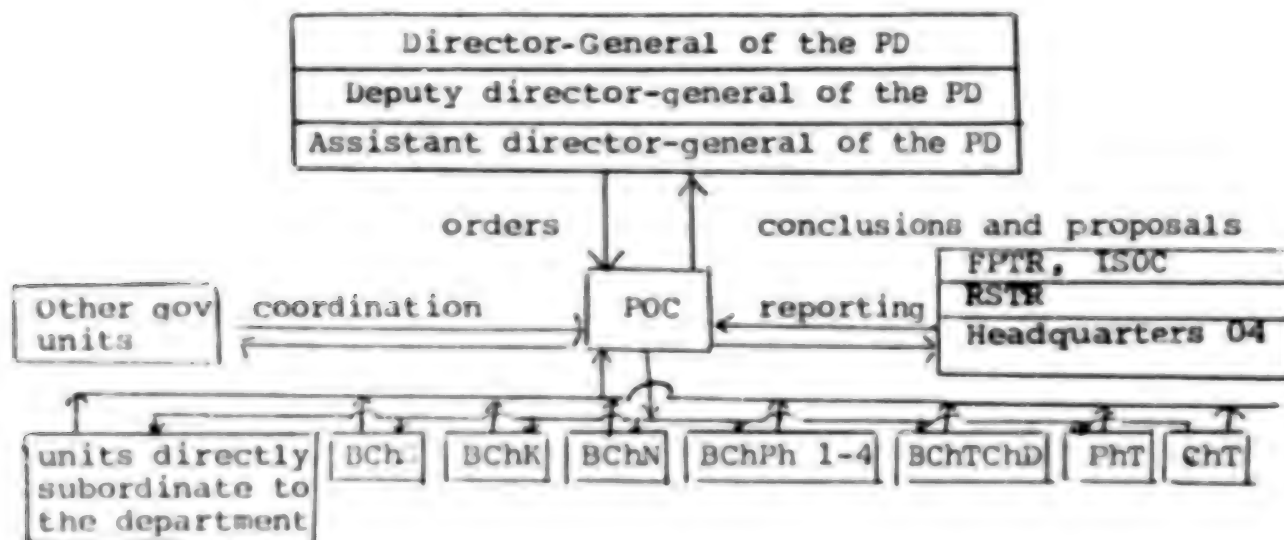
3. The special action sector: The various units that the Police Department once established to carry out special duties, including such units as the FPTR, the ISOC, the RSTR and Headquarters 04, will all be joined to form one unit that is directly subordinate to the POC.

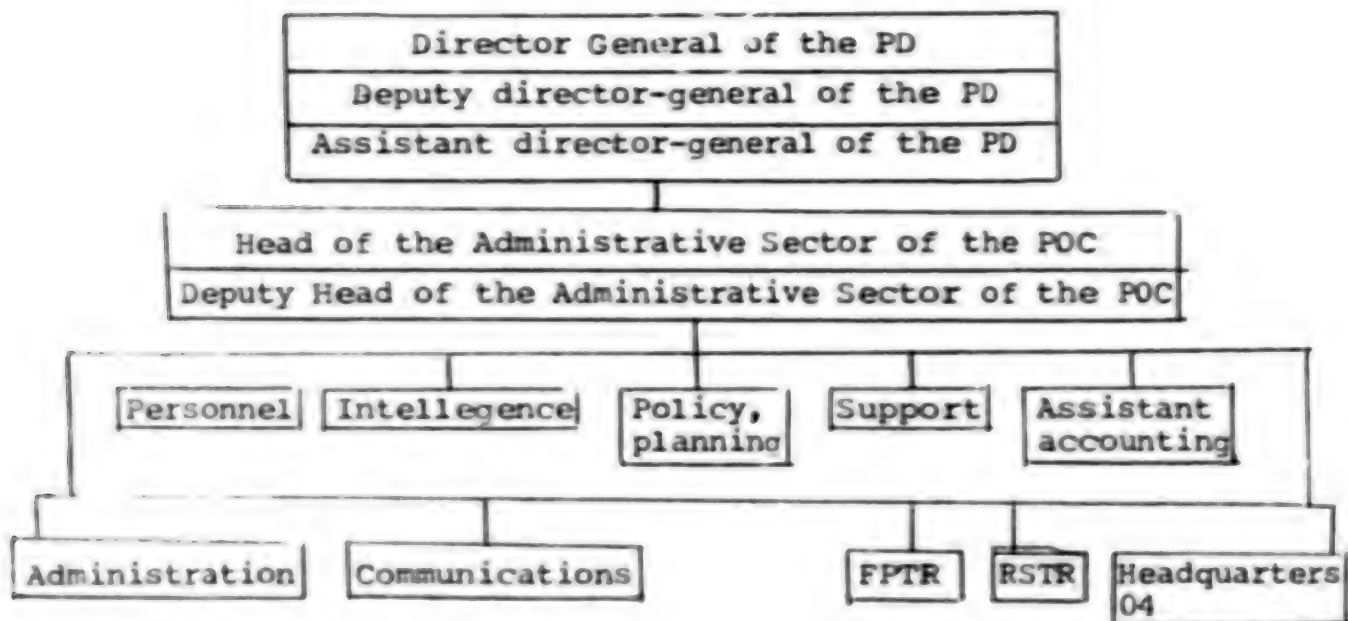
Furthermore, in the POC, the head of the administrative sector is directly subordinate to the assistant director-general and, through him, the deputy director-general of the Police Department.

"The establishment of these POC organizations does not mean that there is a new structure. In reality, only an old project of Police Lt Gen Krit Patchimsawat, which was known as the Police Administrative Center, is being revived and put into use again. At that time, when operations ceased, no one showed very much interest," said a deputy commander of the special security police to SIAM MAI.

Since the establishment of the POC, there has been criticism in "khaki" circles that this solves only some immediate problems and does not give attention to the basic problems that must be solved first, which include the failure of police intelligence at present and the fact that the structure of the Thai bureaucracy does not provide any support.

This is an example of an organization that high-ranking powerholders want to see established. But whether things are successful or not depends on the happiness of the people.





11943  
CSO: 4207/51

# NESDB ISSUES REPORT ON INFLATION

BK010300 Bangkok NATION REVIEW in English 1 Jan 82 pp 1, 10

[Text] Inflation rate, which has gone down from 19.6 percent in 1980 to 13-14 percent in 1981, is expected to slide further in the new year to only 10 percent--or even lower "if the U.S. dollar continues to maintain its strength and the Thai Government doesn't devalue the baht again in 1982," the government's top economic planning agency has predicted.

"It's a very daring and courageous prediction by the National Economic and Social Development Board (NESDB)," commented a well-known economist who pointed out that the forecast of the lowest inflation rate in recent years for 1982 might be "too good to be true."

The prediction is contained in a 23-page comprehensive report submitted by the NESDB to the cabinet on December 22. It was released on Wednesday.

On inflation, the report says: "For 1982, it is expected that the level of prices of commodities will further drop as part of the global trend of decreases in inflation rates. Export prices for several major agricultural products will drop. World oil prices are expected to go up only very slightly. And adjustments of fees for major public utilities have already been enforced. Therefore, the rate of the consumer price index will be in the tune of about 10 percent. Besides, if the U.S. dollar continues to be strong and there is no more baht devaluation, the inflation rate could well be lower than 10 percent."

The NESDB report also pointed out that due to the favourable harvests of several major agricultural goods this year, domestic food prices have gone up by only a very small margin.

Adjustments of service fees for various public utilities and oil prices in early 1981 pushed up the overall price levels by around three percent in the beginning of 1981.

The prices of rice in the country also went up then, in line with world price levels and the government's rice price support programme.

"Those were the main factors which pushed up the inflation rate considerably early in 1981. Rice alone was responsible for two percent of the inflation rate," the NESDB report adds.

The lifting of price controls towards the end of 1980 for cement, powdered milk and steel bars resulted in adjustments of prices for these commodities as well.

The baht devaluations by about 10 percent pushed up price levels in general towards the end of 1981 and 1982 by about six percent.

"Since the government decided to impose measures to prevent prices of certain items of goods to go up instantly, especially oil prices, the public in general, therefore, has not felt the entire effects of the baht devaluation just yet. The full impact would be felt after increases in oil prices," the report adds.

It also reports that since the government has to subsidize the oil fund, about 255 million baht has been drawn from the fund every month, compared to the 200 million baht monthly "outflow" from the fund before the baht was devalued.

"Another factor affecting inflation rates was the adjustment of the minimum wages on October 1, 1981, which sent the minimum wage in the metropolis up from 54 baht to 61 baht a day, representing a 13 percent increase. The percentage was higher in the rural areas. The increases in the minimum wages were responsible for about two percent of the inflation rate," the report says.

CSO: 4220/163



NESDB REPORT VIEWS ECONOMIC FUTURE

BK031000 Bangkok Voice of Free Asia in English 1100 GMT 2 Jan 82

[Text] Thailand's economic growth will continue to increase at a high rate in 1982 due to the expectation of world economic recovery, easing tight money situation and low interest rates, according to a report from the Office of the National Economic and Social Development Board [NESDB].

In a report recently submitted to the government, the NESDB said local investment will improve this year in line with the worldwide economic recovery while there will be a slowdown in the government sector investment which is predicted to grow at 21 percent. Many big investment projects will be undertaken by state enterprises this year.

On the financial situation, the NESDB reported to the government that the interest rate this year will be slightly lower than that of last year. Inflation rate will be lower than last year during which the rate was recorded at 19.6 percent as against 15 to 14 percent in 1980.

As regards the fiscal situation, the government expected to earn 130,000 million baht income during the 1982 fiscal year beginning October last year. The government income in the last fiscal year amounted to 110,400 million baht.

Thailand will produce about 16 million tons of rice in this year's first cropping as against 15.8 million tons last year, the NESDB office said recently. The increase in rice output this year is due to favorable climatic conditions and less damages of the cereal by pests. The increase is also attributed to the government's implementation of rice price support scheme last year. During the 1981-82 season, the government has fixed the guaranteed price for the cereal at an average increase of 250 baht per kwian [1 metric ton] over last year.

Thailand will produce about 2.2 million tons of rice from the second rice cropping this year compared with 2 million tons in 1981.

ESB: 4250/183

## RELATIONS WITH LAOS REVIEWED AS ADDITIONAL BORDERPOINT OPENS

Bangkok THE NATION REVIEW in English 1 Dec 81 p 5

[Text] Based on the background of Thai-Lao relationship, observers indicated that the reopening of another checkpoint at Mukdaharn does not solely mean that one more checkpoint is opened.

This is tantamount to another "vital step" of the continuous attempt to improve relations between both countries, they said.

**A**T last Thailand agrees to reopen another border checkpoint on the Thai-Laotian frontier. The reason given by the Thai Government was "to expand trade relations between Thailand and neighbouring Laos."

Senior Thai officials repeatedly stress that no political considerations were involved in the reopening of the border checkpoint at Mukdaharn in Nakhon Phanom. But observers of Thai-Lao affairs doubt if trade promotion was the sole reason behind Bangkok's decision.

Resumption of trade through the border checkpoint in Nakhon Phanom does produce political impact on the two countries. At least it indicates a positive development of relationship between both countries on the banks of Mekong River which has been on and off since the communist takeover in Laos in 1975.

It has been widely known among foreign diplomats that the Vientiane Government has been attempting to persuade Thailand to reopen the checkpoint in Mukdaharn, opposite Suwannakhet of Laos.

Many analysts agree that the re-

opening of Mukdaharn checkpoint, which can be described as an opening of the door to the South of Laos, will directly be an advantage to Laos. Of course Nakhon Phanom will be another transit for commodities into Laos in addition to the already-opened border checkpoint in Nong Khai.

When Nong Khai was the only transit centre, commodities that were sent across the Mekong River had to be transported through Vientiane to the South. The opening of checkpoint in Mukdaharn will, therefore, save its budget and time for the transportation of commodities to southern region.

Then a question arises. What are the advantages for Thailand for agreeing to reopen another checkpoint? Of course Thailand must get something, at least trade promotion as officially announced by the Thai Government.

Thailand has posted its commercial envoys at the Thai Embassy in Vientiane for about two years.

A Thai trade official there recently told *The Nation* that the potential to expand in Laos was quite high but "there are so many obstacles in practical on both the Thai and Lao sides."

"I'll tell you frankly like sales-

man. In fact when we talk about market in Laos, we don't merely eye on that. We don't stop there but we go further to Vietnam. That's why I said out trading potential in that country is high, the same official said.

That apparently is one of the major issues for a high-ranking military source even said once that "this is an issue that needs thorough discussion when we thrash out our policy and attitude towards Laos."

"The question will be easy to answer if we look at Laos as a single country. Practically, it's not like that. We also have to look at the 'man' behind that country," a senior Thai official who wanted to remain anonymous said.

Laos, as a landlocked country, is dependent on Thailand for its transit and when a clash takes place along the Thai-Lao border, that is in the Mekong River, Thailand always retaliates with sealing off the Thai-Lao border, thus creating trouble to Laos.

Whenever the Thai-Lao frontier is closed, the phenomenon that foreign diplomats in Vientiane encounter is always the same: Transportation of commodities and fuel from Vietnam into Laos to re-

lieve the shortage there.

That should be enough a reason for many observers and diplomats of some neutral countries to pose the same question: "Is Thailand going to push Laos into the arms of Vietnam?" It is believed that the question repeatedly propped up in the minds of most senior Thai officials responsible for mapping out policy between Thailand and Laos.

A highly reliable source told *The Nation* that a move to improve Thailand's strained relations with Laos started in the middle of this year, or slightly before that.

Instead of looking at Laos as a country that is detrimental to Thailand's security, the Thai Government changes its attitude and seems to sympathize with Laos for its status, the source said.

A senior provincial official in Nong Khai recently pointed out: "In my personal opinion, we are not hoping that Thailand and Laos, with different political systems, will be so intimate like the way we are close to many other free countries. But if you want to ask whether Laos is dangerous to Thailand, then I'll tell you this. I've been watch-

ing across the Mekong River to the other side everyday and I still don't see how it's going to harm us with the capability it possessed."

The same official praised the move by the National Security Council in organizing a high-level meeting of senior officials in the provinces that border Laos in the middle of this year.

The objective of that meeting was to "unify the ideas and attitudes of provincial officials for the promotion of relation between Thailand and Laos."

Provincial officials along the Thai-Lao border have been repeatedly instructed to maintain the improving relationship between the two countries by holding sports events or cultural activities with the participation of people on the other bank of the Mekong River.

Based on the background of Thai-Lao relationship, observers in-

dicated that the reopening of another border checkpoint at Mukdaham does not solely mean that one more checkpoint is opened.

This is tantamount to another "vital step" of the continuous attempt to improve relationship between both countries, they said.

The description of Thai-Lao relationship by some provincial officials is that "it is very complicated and delicate." They explain that the blood and cultural relations of people of the two countries along the Mekong River has been so deep in history that they cannot be curtailed.

"Funny enough, whenever a shooting occurs in the Mekong River, the relationship of both peoples is inevitably affected," they say.

One official put it this way: "It's like a glass with perfect material but it's so fragile."



MAP SHOWS the two border checkpoints in Nong Khai and Nakhon Phanom that are open.

## EFFECTS OF DEVALUATION REVIEWED

Bangkok THE NATION REVIEW in English 9 Dec 81 p 3

[Article by Dr Piyasvasti Amranand]

[Text]

The Bank of Thailand, on July 15, devalued the baht against the US dollar from 21 baht/US dollar to 23 baht/US dollar, representing a decline of 8.7 per cent. This was the first major adjustment of the baht-US dollar exchange rate since 1973 when the baht was revalued by about four per cent. It was the second devaluation this year—the first one was only a minor 1.1 per cent devaluation against the US dollar in May.

The reasons cited by the Bank of Thailand and the Ministry of Finance for the devaluation were the poor export performance in 1981 and widening external deficits due to the strengthening of the baht against the currencies of our major trading partners at the beginning of the year because the value of the US dollar had increased against those of other currencies.

According to the government, devaluation of the baht would boost exports, slow down imports and narrow the external deficits. Furthermore, the price to pay would be small—the devaluation would only cause an additional inflation rate of two per cent.

The devaluation led to a political uproar against the government, and many people and politicians did not agree with the government's assertions. The political uproar was so intense that it makes one wonder whether the government's economic analysis was correct or whether there were some other reasons for the devaluation.

It became apparent later that the main reason for the devaluation was probably the heavy speculation against the baht and that the government's economic analysis was wrong. The government underestimated the economic side effects of the devaluation which eventually led to deteriorating political situation.

Speculation was the main reason for the devaluation.

During the first half of this year fund has been flowing out of the country rapidly due to rising US interest rates and the government's policy to hold down domestic interest rates. Between January and June 1981, the balance of payments recorded a deficit of 5,262 million baht compared to a surplus of 685 million baht during the same period of 1980. Then the Bank of Thailand devalued the baht vis-a-vis the US dollar by 1.1 per cent in May.

This move together with the rapid outflow of capital due to low domestic interest rates eventually led to speculation that the baht would be further devalued. The speculation caused an even more rapid flight of capital which led to a very sharp decline in the country's US dollar reserve.

The devaluation worked in that speculation came to a halt and confidence was partly restored. However, the cost of the economic and political effects turned out to be rather expensive.

## Economic effects of the devaluation.

The government claimed that the baht had been increasing against the currencies of our trading partners since the beginning of 1981, and so it was necessary to devalue the baht. This is true.

However, if one takes a longer time span, for example 10 years, the value of the baht had actually been declining against our trading partners' currencies.

The upward movement during the first half of this year was only a small upward adjustment after a long series of sharp declines.

It is true that the relative strength of the US dollar and hence the baht, which was pegged to the dollar, was partly to be blamed for the poor export performance during the first half of this year.

The devaluation has increased the

prices of our agricultural exports, such as rice, maize, tapioca, from the levels which would have been attained had the baht not been devalued.

This is because prices of these goods which are denominated in foreign currencies are determined in the world commodity market in which Thailand, as a small country, has little influence, possibly with the exception of rice. Moreover, the quantity of these goods is probably more or less unchanged as it is mainly determined by our production capacity.

As for industrial goods, their prices have become cheaper in terms of foreign currencies leading to a rise in external demand. But additional inflation caused by the devaluation has increased production costs and thus partly offset the relative decline in export prices. The end result is probable a small increase in the value of exports. According to the NESDB's macro model the devaluation has boosted export by about 6.2 billion baht in 1981 compared with the value which would have been achieved if the baht had not been devalued.

Similarly import prices in terms of baht have risen. This together with the increase in export prices have directly led to cost push inflation in the country. As the Thai economy is very open (exports and imports of goods and services account for 55 per cent of GDP), the effect on domestic inflation is severe. The 1.1 per cent devaluation in June and 8.7 per cent devaluation in July are expected to add another six per cent to the rate of inflation. However, the effect will take many months to work through.

Before the devaluation money was flowing into the Oil Fund at a rate of 200 million baht/month, but after the devaluation the price of oil has been subsidised by the already heavily indebted Oil Fund at a monthly rate of 255 million baht. Therefore, the effect of the devaluation is not expected to be more than three per cent on the inflation

rate in 1981. The rest will occur in the following year.

Higher domestic inflation is the major reason for the decline in the volume of import. This has occurred in two ways. First, import prices have risen relative to locally produced goods. Secondly, the higher price level has reduced real income of the population and government expenditure in real terms, and hence lower import. Though some people have benefited from the devaluation, most people probably have not. Those who live on fixed income like civil servants and other wage earners have seen their real income being eroded by the higher price level. Most farmers have also suffered despite the higher agricultural prices since the devaluation occurred at the time when most farmers had already sold their goods.

Lower real income has led to lower real spending and hence lower GDP growth rate. The 1981 GDP growth rate is estimated to be 7.8 per cent, or 0.4 per cent lower than the 8.2 per cent which would have been attained had the baht not been devalued. As a result the volume of import is expected to slow down by 3.6 per cent in 1981. However, the higher import prices (from both devaluations) have offset this causing a small rise of about 1.4 per cent in import value. Thus, trade deficit in 1981 is expected to decline by about 3.2 billion baht from 68.2 billion baht to 65.0 billion baht. The decline in 1982 will be larger from 77.6 billion baht down to 69.0 billion baht. However, the reduction in the current account deficit is likely to be smaller due to rising interest payment on foreign debt. Thus, the current account deficit has only declined from 53.6 billion baht to 51.0 billion baht in 1981.

The devaluation has also raised the level of the country's foreign debt in terms of baht. The public sector's foreign debt alone stood at approximately 90 billion baht in July 1981. The devaluation immediately increased this by 8.6 billion baht. The private sector has also suffered as commercial banks and businesses have been borrowing money from abroad because of the extremely tight credit situation since the beginning of 1981. Many people simply did not bother to make a forward cover on the baht-dollar exchange rate because the value of the baht had been stable for such a long time. As a result, they suffered heavy losses from the devaluation while speculators made handsome profits.

All in all this devaluation has produced uncertainties previously unfamiliar in the Thai foreign exchange market. Fluctuations in capital flows and speculation in the foreign exchange market are likely to increase in the future. Many people are simply scared to bring money

into the country for fear of further devaluation and recently the Bank of Thailand had to guarantee the baht-dollar exchange rate for a certain period in order to encourage capital inflow.

The above analysis indicates that the political uproar caused by the devaluation was quite reasonable since the two devaluations are expected to produce another six per cent inflation, a lower GDP growth rate and a reduction in real income. It should be noted that the rather low expected inflation rate of 13.5 per cent for 1981 despite the devaluation does not mean that the above analysis is wrong. It simply means that the estimated inflation rate of 17-18 per cent publicized by various agencies at the beginning of 1981 was inaccurate. In fact, it was perfectly obvious that there was going to be a drastic decline in the rate of inflation in 1981 due to a slump in the international commodity market, and depressed oil price and oil demand. With no devaluation, the rate of price increase could have declined to about 10.5 per cent in 1981.

#### Was there any other alternative?

The answer is probable yes, since the real reason for devaluation was speculation which was in turn caused by the rapid capital outflow, induced by the relatively low domestic interest rates. Thus a more direct remedial measure would have been to adjust the rates of interest on deposits and loans. If the government had done this earlier enough, capital flight and speculation would have been averted. This was exactly the reason why some politicians attacked the government on the devaluation issue. The government was afraid that any rise in interest rates would affect the Government Savings Bank, BAAC, the National Housing Bank, and other three small commercial banks. It is true that a rise in interest rates would have meant financial difficulties for the three government banks and the government was unwilling to subsidize them or pay the Government Savings Bank higher interest on loans it borrows from GSB.

However, by devaluing the baht the government finds itself in a position where the price of oil has to be heavily subsidized by the Oil Fund at a monthly rate of 255 million baht compared with the Oil Fund's income 200 million per month before the devaluation. This represents a decline in government revenue of 455 million baht per month. Thus, the devaluation has already cost tax payers at least 1,800 million baht. Or is this the cost of keeping this government in power? At least, it does seem to indicate a rather confusing state of our economic decision making process.

It is obvious that the devaluation decision was taken in a hurry without a careful analysis of economic and political consequences. Furthermore, the Cabinet (particularly the Prime Minister) was not fully informed of all facts, options and the pros and cons of the devaluation, especially the political consequences which have partly eroded the favourable effect of the devaluation.

Since a devaluation has many outcomes both good and bad, the decision should be taken by politicians who are adequately informed about facts and options. In this case it looks as if the civil servants simply presented a one-sided story to the Prime Minister who told the Press after the devaluation announcement that he did not really understand what it was all about! We simply have to hope that in the future our policy makers will be more cautious in making important economic decisions. The price of an incorrect decision could be very high as shown by this example. The readily quantifiable loss is at least 1,800 million baht in foregone revenue of the Oil Fund. If this amount of money were given to poor farmers living in absolute poverty, each family would get as much as 1,000 baht. And they make up one quarter of the entire population.

Dr Piyasvasti Amranand is acting chief of the Planning Technique Sector of the Economic and Social Planning Division, National Economic and Social Development Board. He receives a PhD in economics from London School of Economics in 1979.



BAHT-U.S. DOLLAR GUARANTEE TO BE ABOLISHED

BK261246 Bangkok Voice of Free Asia in English 1100 GMT 26 Dec 81

[Text] The Finance Ministry has abolished the guarantee of exchange rate of Thai baht to the U.S. dollar through the swap arrangement Thursday, Finance Minister Sommai Huntrakun said.

Mr Sommai disclosed that the guarantee of exchange rate which has been introduced since 16 September up to the end of this year, will not be extended since the country's financial situation has improved.

The swap arrangement facilities, which has been introduced in order to help ease tight money situation, allow local financial institutions or the exporters to sell the U.S. dollars brought from overseas at the Bank of Thailand Exchange Equalization Fund with the guarantee that they would be able to buy the dollars back in the future at the selling rate fixed by the Thailand Exchange Equalization Fund within a specific period.

The Exchange Equalization Fund will not charge any special fee to them. However the measure is a short term one and has been designed to end up at the end of this year.

Mr Sommai said the measures should be abolished since he had considered that the baht value has been in line with the current economic situation, and there should not be any regulations to guarantee the confidence in the baht currency anymore.

Meanwhile the president of the Thai Finance and Security Association disclosed that he agreed with the Finance Ministry's decision to abolish the guarantee of baht. He said however that the government should beware of the effect of the abolishment to the country's balance of payment.

CSO: 4220/163

RANGER ATROCITY, CPT PRESENCE VIEWED IN NAKHOM SRITHAMMARAT

Bangkok THE NATION REVIEW in English 16 Nov 81 pp 1, 12

[Article by S. Kasitipradit: "Victims Buried, Memories and Hatred Remain Alive"]

[Text] For over three months, the villagers of Baan Nai Yuad in Muang District of Nakhon Si Thammarat have been haunted by a nightmare.

They witnessed a massacre that shook the country for days.

Nobody can confirm who committed the mass murder. The villagers blamed the rangers while the army initially blamed communist insurgents.

The NATION reporter M. Kasitipradit visited the scene of the massacre recently and talked to the witnesses and the local army authorities.

Here is the first of the three-part series that will shed some light on the tragic incident that took place on a quiet night last August.

NAKHON SI THAMMARAT - For many, the pictures of how a group of innocent villagers was mowed down in a hail of gunfire one night last August were still vivid in their memories.

They may not dare speak about it openly but the feeling of hatred and bitterness has not been buried with bodies of the 10 massacre victims - many of whom their own lives or friends.

The tragic incident did make headlines in Bangkok but it was quickly forgotten by the rest of the country almost as soon as the gunfire died down.

But behind closed doors, people in Baan Nai Yuad of Tambon Kampaeng-sao in Muang District here still talked about it. And they were rather unwilling to share the experiences with someone they are not familiar with - especially someone they suspect of being government authorities.

It happened on the night of August 18, 1981 in that lit-

tle village.

On that tragic night, there was a funerary rite at the residence of a simple villager known as Fueng Yodpichit.

People said Fueng was one of the poorest in the village of 50-60 families. Fueng was killed by a mysterious gunman two days earlier.

As the villagers began gathering for the ceremony, a band of unidentified gunmen approached

the area and all of a sudden sprayed their M-16 assault rifles indiscriminately at them.

The firing did not stop after more than one minute. Nobody knew exactly what was happening. But eight were killed on the spot and another two died on their way to hospital.

The gunmen slowly moved away and disappeared into the darkness of the night, leaving behind more than 200 spent shells and their victims.

Baan Nai Yuad

neighbours Baan Larn Saka, which is one of the communist-infested zones that local government authorities and people said communist insurgents were trying hard to infiltrate the village.

Local villagers said the insurgents came down once in a while to make friends with them but had never attempted to call them to an indoctrination session as they always did in other villages.

One of the prominent communist cadres widely known to the villagers there was identified as "Comrade Lerm."

It was Lerm who organized Fueng's funeral. Fueng was reportedly killed by someone with influence.

"We were told not to interfere with Fueng's body. They wanted his body to rot," one of the villagers said.

Even Fueng's wife, Mrs Ien Yodpichit who survived with seven children, did not dare to touch his body.

According to the villagers' accounts, Comrade Lerm took

the matter into his own hands and organized a funeral rite for Fueng's body.

Hundreds of villagers went to the ceremony together with Lerm and at least two other communist insurgents.

When someone had his valuables stolen or received letters demanding for protection fees he would immediately go to Comrade Lerm instead of government authorities.

Comrade Lerm's influence over the people was confirmed by the district education officer, Sansak Pruksathien, who also lived in the area.

As soon as Comrade Lerm declared his intention to organize the funerary rite, the news spread and all the local people were invited to join it.

Donations were made by the people and, according to Mrs Ien, as much as 2,885 baht was collected.

The simple ceremony was held on the ground in front of the house. Before sunset, more than 150 people had turned up.

All they were waiting for was the arrival of the Buddhist monks to preside over

the ceremony.

One of the villagers, Sompob (surname not known), was on his way back with a group of monks but before he reached there a long burst of gunfire filled the air.

When the shooting stopped, Sompob said he dashed to the ceremony ground and found scores of people lying in pools of blood.

"There was blood everywhere. People were moaning. It was dark we could not see anything beyond the ceremony ground. There was a big confusion," he said.

The surviving guests then rushed out to find vehicles to transport the wounded to hospital.

It was almost eleven when all the injured were moved out to the hospitals in the district seat, which was 35 kms away.

Comrade Lerm and his two colleagues were chatting with Mrs Ien when the incident took place. But nobody knew how many insurgents were mingling with the villagers.

But all agreed that the killers were dressed up in "green uniforms."

RANGER UNIT DISCHARGED IN NAKHON SRITHAMMARAT

Bangkok THE NATION REVIEW in English 18 Nov 81 p 3

[Text] Nakhon Sithammarat--A whole company of rangers has been discharged en masse following public complaints of their misconduct and lack of discipline, Fourth Army Region Commander Lt Gen Harn Leenanond said yesterday.

He said villagers had complained with military officials that many rangers of the company based at Nong Thong Village in Park Payoon of Phatthalung had maltreated them and often misbehaved with the local populations.

Some of them were said to have carried war weapons outside their installation and intimidated the villagers, according to Lt Gen Harn.

However, he reaffirmed that rangers were needed in fighting communist insurgents as they could relieve the burden on regular forces which should mainly be entrusted with the responsibility of defending the country from external aggression.

Lt Gen Harn yesterday blamed the commander of the ranger company for the deteriorating image of the rangers and the subsequent discharge of the rangers who numbered around 80.

He said that although some members of the company were innocent, the Fourth Army Region decided to discharge them en masse because it was difficult to separate the bad rangers from the good ones.

"If we sack only some rangers, they could

hold grudge and question why the others were not discharged along with them," he said.

He said new rangers would be recruited soon and in this way some of the dismissed rangers could reapply.

The dismissal was approved by the Fourth Army Region commander after the 4054 Ranger Regiment recommended that the rangers be fired en masse.

Informed military sources earlier blamed low wages for the rangers' misconduct and the move is under way for the government to raise the daily wage from 45 baht to 61 baht.

They also said that the rangers who were natives of the area under their jurisdiction misbehaved partly because they lacked training in discipline.

"They are trained mainly in military tactics during a period of 45 days while soldiers are trained both in tactics and discipline for over 10 weeks," a military officer said.

# INDENTURED CHILD LABOR PROBLEM VIEWED

Bangkok THE NATION REVIEW in English 20 Nov 81 pp 1, 8

[Article by Premsiril Dilokprichakul]

[Text] BUKIRAM - Pien was only 10 when her mother decided to send her to work in a candy factory in Bangkok in February this year.

For the next nine months, Pien was forced to work up to 18 hours almost everyday in return for 150 baht a month.

Pien remembered that the day she left Baan Nok Krian Village her mother was told by a neighbour that many factories in Bangkok needed children to work.

"The work would be light and the money would be good," she recalled what her neighbour told her mother.

Pien herself was excited at the prospect of going to Bangkok - the city she heard so much of. Her family was running short of money and her mother was ready to do anything to survive.

Pien recalled that her mother borrowed 200 baht from a friend to pay for the bus fares to go to Bangkok together with other neighbours.

The owner of the candy factory on New Road was happy to have the children and agreed to pay 150 baht for each of them as a monthly salary. Pien's mother took 600 baht in advance payment and left.

There were several other children of the same age who were brought to the factory with Pien at the recommendation of a Mrs Bang, a resident of Baan Nok Krian. Mrs Bang was paid 100 baht by Pien's mother as "brokerage."

Pien and friends received rather good treatment from the factory owner during the first few days but soon their workload began to rise.

Working 18 hours a day was compulsory. It meant that the girls had to get up as early as six in the morning and work up to midnight.

"Our rest time came when we stopped for our meals three times a day," Pien said.

The girls were closely watched by the owner's wife during their work and were occasionally beaten when they "showed signs of laziness."

Pien said she was once slapped a few times in her face when she dropped some candies on the floor out of fatigue.

"While we wrapped candies we could not help yearning to go out and play around like other children we saw outside the factory," she said.

The children were offered an "incentive" for their work. If anyone of them was able to wrap up to 400 candies a day she would be given one baht extra.

"But there was hardly anybody who could reach the target. I used to wrap slightly more than 300 candies one day," Pien said.

The room where the children worked was stuffy and their foods were bad. Pien said their main dishes were fried vegetables.

"But we mainly lived on dried chillies and fish sauce mixed with rice," she said.

The only toilet for the 16 children was always out of order and the stench seriously bothered them.

"We tried to avoid using the toilet whenever we could," said Pien.

The girl said most of the children suffered from insomnia despite the fact that they were exhausted after a day-long work.

"Everyone complained of serious headache but we did not know why," she said.

She said some of her friends blamed "the green pills" as being the cause of their headaches. The pills were suspected to be stimulant to make the children work overtime.

"The owner gave us the pills after dinner every night. But some of us secretly threw them away," she said.

The children had to sleep on the concrete floor and were denied mosquito nets or mats. Pien and her colleagues became easy victims for mosquitos which left ugly scars on their bodies up till now.

Then one day, the police broke into the factory.

"Everyone started crying. We were so glad that we would be able to go back home again," Pien recalled the moment she realized that she was freed.

However, the parents of some of the children



thought otherwise. They resented the rescue, claiming that their children were enjoying a good life at the factory.

Her own father lashed out at officials of the Children's Rights Protection Centre for interfering with the affairs by informing police of the existence of the illegal candy factory.

Pien said she argued with her father and was eventually told that he was taught by the owner of the factory to act that way if he wanted further help from him.

Today Pien is back in her tiny village near the Thai-Kampuchean border. She returned with 1,300 baht paid by the factory owner as compensation.

Though Pien does not like the way her father gets drunk every night she is happy to be back home and can run around freely with friends.

"I can get up at whatever hours I like," she said with a smile as she digs for frogs in a rice field.

But Pien is not having an easy life either. She has a lot of domestic work to do. She has to fetch water, cook meals and look after her youngest sister.

It is a routine job for Pien to go out to hunt for frogs, crabs or small fish whenever the family runs out of money to buy food.

"I would like to go to school but it is not possible because there would be nobody to take care of the family," she said.

Pien's freedom, however, could be short-lived. Poverty has again hit her family. Her father is out of job and her mother has to borrow rice from neighbours to cook meals.

Pien remembered that police had told her mother not to send her back to Bangkok again.

"But I was not mad at my mother when she went to see Mrs Bang to find out whether there is any job for me in Bangkok," she said.

But Pien keeps praying that her new work would not be as bad as the one at the candy factory.

## CHILDREN SOLD INTO SLAVERY BECAUSE OF BAD ECONOMIC CONDITIONS

Bangkok THE NATION REVIEW (in English) 17 Nov 81 pp 1, 12

[Article by Prem Siri Dittakachakul]

[Text] Buriram--For the past few years, a new profession has become popular in Baan Nok Krian, a tiny village about 52 kms from the provincial seat.

Poor farmers have been "selling" their children - many as young as 10 - to work in factories or to do domestic work in cities, including Bangkok.

There are more than 300 families in the village near the Thai-Kampuchean border and child selling has become an acceptable practice for most of them. The reason is simple: They have nothing to eat.

There are "brokers" in the village who offer to take children to work either on a monthly or yearly basis.

Some of the parents sign annual contracts for their children to work in a factory for a return of 2,000-3,000 baht.

Most of the children earn an average of 150-200 baht a month for their labour.

Officials said many

of the children rescued from factories in Bangkok were from Baan Nok Krian. And it is very normal for them to return to the city again after they are sent back to their village.

Mrs Dam Chuanlam is a mother of five. When poverty wreaked havoc on her family she did not hesitate to turn her children into labourers.

When Dam's mother died she left behind a piece of land that was later divided into 12 different plots for each of the family members. Each of the plot was only slightly more than one rai.

Dam said she reaped a harvest of only 30 tangs of rice annually and the land became less futile over the years. She began asking for loans from a tycoon who charged her five tangs of rice for every 100 baht as interest.

The poor lady became a landless person last year when she decided to sell her land to get a sum of 3,000 baht to hold a funeral for her mother.

"It is a tradition here for children to express their gratitude toward their dead parents by holding a funeral as big as they can," she said.

She ended up a destitute person. And now she started thinking of cashing in on the labour of her children.

Despite repeated persuasion from teachers, Dam refused to send her children to school and instead had them do domestic work.

Dam and her husband made little money by working in the farms in neighbouring villages. But soon she could not find any job and had to go out to dig for tapioca to feed her

family.

One day she decided to send two of her children - one 14 and 10 - to Bangkok.

She accompanied the two girls into the city and was paid 600 baht by the owner of a factory where the two were accepted to work.

Dam said she had to sign a contract which obliged the girls to work for two months without pay for the factory or that she would have to pay a double compensation.

Dam paid out 100 baht as "brokerage" to one of her neighbours who introduced her to the factory and returned home with less than 300 baht after paying for the bus fares.

The money did not last over a month. Dam had to return to Bangkok to ask for advance payment from the factory owner. She did it several times - and each time automatically extending

the period of her two children's work.

Dam was never allowed to see the girls when she visited the factory because the owner feared that they would run away with her.

"And when another two of my children grow up I will also send them to Bangkok so that they will not have to starve," she said.

Nobody in the village blames her - because everybody else is also doing the same just for the sake of survival.

The principal of Nok Krian School, Praong Onvicharn, said only half of the 600 children in the village are attending school.

"But by the time they reach Pathom Six there will be only 30 pupils left," he said.

The principal said every month his pupils would simply disappear from classes.

"Their parents simply said their children had quit studying or had gone to Bangkok," he said.

As many as 80 per cent of the children have to go without lunch almost everyday.

"At lunch time they would go home but not to eat because there is nothing for them to eat," he said.

The village has for the past 10 years been out of reach of government authorities. The villagers

said they have seen no development programmes or anything that would make them better off from the government.

Inhabitants of the poverty-stricken village have resorted to slash-and-burn practice to survive but at the same time slowly depriving themselves of the fertile land.

Many of the old people at the village also travel to Bangkok to become beggars and more often than not live a better life than staying behind.

Mrs Thin But-egarn is 70 years old and makes her annual trip to Bangkok to beg for money.

"I normally spend around two months in the city and earn substantial amount of money to give to my grand children," she said.

She claimed to have earned up to 2,000-3,000 baht at one time.

She was arrested once by welfare officials but said it was still worth the risk.

Since family planning does not exist, it is common for each of the families in the village to have six or more children. And for that fact, more than half of the child population is less than 15 years old.

"The prospect now is that more of our children will have to leave the village for the cities," the principal said.

## RATE OF JOBLESS ON THE RISE

Bangkok THE NATION REVIEW in English 21 Nov 81 p 2

[Text] THAILAND will have about 600,000 jobless persons in the next five years partly because of shrinking investments by the private sector and the government policy to limit the number of new officials to be recruited, according to a senior official of the National Economic and Social Development Board (NESDB).

Director of the Population and Manpower Planning Division of NESDB Vasi Boonyakessanont said another 3.8 million people are expected to join the labour force during the current five-year National Economic and Social Development Plan.

However, he said the government will be able to provide jobs for only 3.5 million of them. New employment for 1.9 million of them will be in the agricultural sector and the remaining 1.6 million people will be in other sectors.

As many as 100,000 people were predicted to become unemployed by the end of the fourth master economic development plan in October this year.

Vasi said around 50 per cent of those expected to become jobless in the next five years will be people with good educational background, including university graduates.

He blamed the slowdown in private investments and the government policy to limit recruitment of new officials and civil servants to 5 per cent a year as two of the major causes of the expected unemployment.

Another 600,000 to 700,000 people will also experience "under employment" in the next five years, he said.

The term is used to describe the condition where employed people

earn little income or their work is not productive. The problem of under employment is particularly acute in the agricultural sector in the Northeast and in small-scale industries.

The current master plan also envisages a seasonal unemployment involving about 3.5-4 million people, he said.

Vasi also stressed that people facing underemployment problem should be given special attention by the government which could tackle it through creation of better job opportunities in the country.

He also called on the government to have better educational planning so that students can study subjects that suit the labour market.

More export of Thai labour will also be another solution to the unemployment problem, he said.

## JOB CREATION PLAN SAID TO BE ONLY PARTLY SUCCESSFUL

Bangkok THE NATION REVIEW in English 16 Nov 81 p 4

[Article by Suthichai Yoon]

[Text]

**W**HATEVER HAPPENED to the "job-creation" scheme which was once trumpeted as the government's pet project for the remote poor?

It is, of course, still very much alive on paper although the total budget this year has been trimmed down somewhat. But does anybody really know how effective the idea was?

With a series of by-elections coming up and the prospects of general elections looming, if somewhat shakily in slightly more than one year, that highly-politicized scheme will certainly be on everybody's lips again soon. It might be useful, if not always politically popular, to remember what went wrong with the plan after all.

We all remember, of course, that the Social Action Party created quite a hoopla with its "tambon fund" scheme which was designed to divert money directly from the central government to the tambon, the country's

smallest provincial administrative unit, which had always been swept under the carpet since it was set up.

SAP's scheme was, in principle, a laudable pioneering job which caught most other political parties flat-footed. It was a plan which was later to earn the party handsome dividends. Today, villagers out there in the remote areas still remember the "tambon fund" — if not the candidates who campaigned under that plank.

Subsequent governments took up the idea and gave it new names. Prime Minister Prem Tinsulanonda dubbed it "Job-Creation Plan" and last year set aside 3,000 million baht for the purpose. It might not have worked wonders — but an evaluation team has handed down a somewhat well-balanced verdict: It was a scheme with its own merits but there is still vast room for improvement.

The evaluation team, led by former

Minister attached to the PM's Office, Dr Somsakdi Xuto, comprised mainly university academicians who were promised full academic freedom in their assessment — and they in turn offered what was termed a "politically neutral" evaluation sheet.

The team picked almost 7,000 "samples" from 276 tambons in 70 amphoes of 21 provinces in all regions of the country. The six-month evaluation mission also involved interviews with about 1,000 persons who were not part of the "job-creation scheme" to get the other side of the picture.

Did the villagers get extra income in real terms from the scheme last year? The survey found that through the three-month period, from the end of May to late August, last year, about three million villagers, working for an average of about 13 days each under the scheme, were paid about 65 baht per day per head, or

about 900 baht each throughout the period of the project.

In other words, the "job-creation scheme" did offer the three million people an extra 10 per cent income above their normal earnings. And about 20 per cent of the rural labour force benefited from the plan.

Did it help slow down the emigration of rural people into Bangkok — and annual phenomenon which was deteriorating year after year? The survey team found that at least 40,000 rural people decided NOT to seek jobs in Bangkok because of the scheme last year.

But then, there were several lessons to be learned from the scheme. In general, no government should consider such a project a long-term solution to rural poverty. The bureaucracy might have been edged out of the scheme of things through this "money diversion plan" but in the long



run, the root cause of rural ills would not simply disappear because of the one-shot affair.

Last year's case was in itself a classic example of bad planning and ill timing. The project was launched at a time when peasants were too busy tending their own farmland — because the central government was dilly-dallying in its decision on when and how to kick off the project. In many cases, farmers did not benefit enough from the "extra-income jobs" due to their activity on their own farmland.

What was worse, as the survey team discovered, the government overlooked a very important part of the plan: The genuinely poor were not given priority over the rural people in financially better off position. In fact, there were some indications that in certain cases (although the trend was not widespread) the relatively "better off" did end up gaining more from the project than the poorer ones.

The irony was clearly embarrassing for the central government which has yet to tell the public how

the scheme has been faring in the new fiscal year — and how some of the major drawbacks would be corrected.

The most critical defect in the project last year was probably in the tardy disbursement of payments to the rural people who took part in the job-creation scheme. Delays in payments did cause very loud grumbings — an unnecessary problem which could have been avoided, and would have deferred the project a much better image than it did.

Did farm productivity go up as a result of the scheme? The survey team couldn't provide an answer to that question until the next cultivation season. But most academicians involved in the evaluation said they did not believe the scheme would jack up farm productivity in any significant way.

For one thing, irrigation ditches erected under the scheme were mostly makeshift ones which would not offer any permanent benefits to farming.

To be fair, however, the survey team concluded that higher

farm productivity wasn't really one of the objectives set for the job-creation scheme. In fact, it would have been unrealistically ambitious to believe that such a scheme could offer both higher income and farm production level.

The project certainly did not contribute to the creation of better infrastructure for the rural areas although political and social benefits might have been more obvious. The government's policy to set aside 70 per cent of the budget for wages and only 30 per cent for raw materials reflects the objective — and senior local officials have been heard to complain about this particular clause.

This year's job-creation project has been conspicuously low-key. Perhaps, the evaluation results have yet to be dissected. Or perhaps, this government has yet to realize how to cash in on the short-term political pains from this plan.

But realists who are not gunning for short-range political fruits certainly would think twice before flying that "job-creation" kite too high.

The wind might just blow the wrong way.

# UNIVERSITY GRADUATES FACE HIGH UNEMPLOYMENT RATE

Bangkok THE NATION REVIEW in English 9 Nov 81 p 2

[Text] Twenty per cent of graduates from the 1978-1979 academic year from various universities nationwide remain jobless, according to a survey of the University Affairs Bureau.

The bureau interviewed 21,366 graduates, 4,409 or 20 per cent of whom said they were unemployed.

The 12 universities and other institutes for higher studies from which graduates were interviewed in the survey are Chulalongkorn, Kasetsart, Khon Kaen, Chiang Mai, Thammasat, Mahidol, Ramkhamhaeng, Sri Nakharinwirot, Silpakorn, Prince of Songkla, King Mongkut's Institute of Technology and Institute of Agricultural Technology.

The 4,409 jobless graduates were divided into 2,323 men and 2,086 women.

Of the 79 per cent of graduates who were employed, 30 per cent said they had been working in the same agencies or firms since their graduation while 49 per cent had changed their jobs.

Interestingly, the highest percentage of unemployed graduates, listing at 41.65 per cent, were those who passed out with social and behavioural sciences.

The percentage of jobless graduates in other fields of studies are as follows: 40 per cent Law, 32 per cent Humanities, Religion and

Theology, 27 per cent Mass Communication and Documentation, 27 per cent Natural Science, 27 per cent Mathematics and Computer Science, 19 per cent Agriculture, Forestry and Fishery, 17 per cent Commercial and Business Administration, 16 per cent Home Economics (Domestic Science), 15 per cent Fine and Applied Arts, 12 per cent Engineering, 10 per cent other programmes, nine per cent Education and Teacher's Training, six per cent Architecture and Town Planning and five per cent Medical Science and other health-related subjects.

The survey showed that 61 per cent of the graduates were unable to find job, seven per cent did not have the desire to work and 32 per cent continued their studies after graduation.

Of the 16,957 employed graduates, 10,076 worked in government agencies, 808 in state enterprises, 50 in international agencies, 5,418 in private firms and 605 were self-employed.

Table: Number of Academic Year 1978-1979 Graduates, Unemployed and Employed by Causes of Unemployment, Types of Organization, Institutions.

Institutions	No. of Graduates Filling in Questionnaires	Causes of Unemployment				Types of Organization						
		Total	Unable to find Job	No desire to work	Continuing Studies	Total	Government Agencies	State Enterprises	International Agencies	Private Firms	Self-employed	% of Employed Graduates
Total	21,366	4,409	2,723	318	1,368	16,957	10,076	808	50	5,418	605	79.37
1. Chulalongkorn University	1,641	336	111	14	211	1,305	327	121	2	820	35	79.53
2. Kasetsart University	1,200	343	166	27	150	857	370	82	7	365	33	71.42
3. Khon Kaen University	493	89	48	17	24	404	207	16	1	174	6	81.95
4. Chiang Mai University	1,659	335	193	46	96	1,324	809	42	4	411	58	79.81
5. Thammasat University	1,114	233	116	45	72	881	201	86	7	553	34	79.08
6. Mahidol University	566	31	6	1	24	535	432	6	4	82	11	94.52
7. Ramkhamhaeng University	6,939	2,531	1,782	129	620	4,408	1,771	317	16	1,940	364	63.53
8. Sri Nakharinwirot University	5,927	328	223	15	90	5,599	5,030	55	2	487	25	94.47
9. Silpakorn University	308	68	37	8	23	240	87	13	4	125	11	77.92
10. Prince of Songkhla University	834	79	30	9	40	755	633	7	1	105	9	90.53
11. King Mongkut's Institute of Technology	602	33	10	6	17	569	155	51	1	345	17	94.52
12. Institute of Agricultural Technology	83	3	1	1	1	80	54	12	1	11	2	96.39

CSO: 4220/136

WORKERS FIRED FOR TRYING TO FORM UNIONS

Bangkok THE NATION REVIEW in English 23 Nov 81 p 3

[Text]

ALMOST 8,000 workers have been dismissed during the past year for their attempts to form labour unions or participate in strikes, a labour leader told in a seminar on Saturday.

Ekkachai Ekhamkamol, a member of the central committee of the Labour Congress of Thailand (LCT), said this was part of the systematic harassment of the Thai labour movement by employers.

Other participants in the seminar "Labour Crisis Today" at Chulalongkorn University also agreed that there have been persistent efforts to emasculate the labour movement.

They said the labour situation today had almost reached the point of crisis.

They cited serious unemployment, employer's failure to honour the minimum wage, and the on-going harassments on labour movement as being among the most serious problems that need urgent solution.

The seminar drew more than 150 participants. Among them were many labour leaders, academicians

and officials from the Labour Department.

Deputy Labour Director General Chalin Amorntham told the seminar that the Labour Department was aware of the problems and was doing everything it could possibly do to tackle them.

The labour leaders also called for a tougher law to deal with employers who laid off workers without any justification.

They also agreed that a social security law should be immediately implemented as a measure to assist workers.

They also proposed that labour leaders, particularly founders of individual labour unions, should be given protection by the Labour Law.

Employers normally tend to adopt ill attitude toward workers who try to found labour unions and in many case immediately dismiss them as a pre-emptive measure, they said.

The seminar was co-organized by the Social Research Institute of Chulalongkorn University and the Union for Civil Liberty.

CSO: 4220/160

## MUSLIM TROOPS TO BE SENT ON MECCA PILGRIMAGE

Bangkok THE NATION REVIEW in English 9 Dec 81 p 3

[Article by S. Kasitapradit]

[Text] **PATTANI** - The Fourth Army Region is planning to send Muslim soldiers on a pilgrimage to Mecca in Saudi Arabia every year in a fresh effort to solve the long-standing racial conflict in the South, a senior military official said yesterday.

Commander of the Civilian-Police-Military Unit 43 (CPM-43) Col Wanchai Dham-sena told *The Nation* in an exclusive interview here that the project was designed to hinder the growth of Muslim separatists movements which have exploited racial problems to drum up support from the Muslim people.

CPM-43 is responsible for security affairs in the six southern provinces of Phattalung, Pattani, Narathiwat, Yala, Songkhla, and Satun.

Col Wanchai said that the "military pilgrimage" would also help Muslim countries to understand the position and sincerity of the Thai Government in bringing about racial and religious equality in the South.

"The Thai Military pilgrims will serve as PR men for the Thai Government when they come in touch with pilgrims from other Muslim countries," he said.

He said that the military pilgrims would also help effect unity in the Fourth Army Region when they returned to their respective military barracks.

About 50 per cent of the military recruits in the South are Muslim people, according to Col Wanchai.

The CPM-43 commander said that the project, initiated and being drafted by CPM-43, had already been approved in principle by Fourth Army Region Commander Lt Gen Harn Leenanonda.

Lt Gen Harn was quoted as saying that as many as Muslim soldiers should be covered in the project.

The project will have yet to be approved by Premier Prem Tinsulanonda in his capacity as Director of anti-communism before it could be launched next year, Col Wanchai said.

He said that CPM-43 had not as yet fix the quota of Muslim soldiers to be sent to Mecca each year. It costs about 30,000 baht to cover the expenses of a military pilgrim, he added.

The project would be the first ever of its kind as formerly only civil servants had been financed to go on pilgrimage to Saudi Arabia and only a minimal number of Muslim soldiers had been despatched there.

Col Wanchai described the project as "a practical measure" under the Tai Romyen Policy initiated by Lt Gen Harn Leenanonda.

CPM-43 also planned to construct mosques in military barracks in the South to facilitate Muslim soldiers to hold their religious functions, according to Col Wanchai.

He said that the first military mosque was under construction in the compound of the Second Battalion of the Fifth Regiment based in Pattani Province.

He said that the construction of the mosque was expected to be completed within the next half year. A budget of about 200,000 baht was allocated to the construction.

Describing the project as "a brand new one", Col Wanchai said that officials from the Post Engineer Department were now inspecting the construction of the mosque in Pattani.

The officials would reportedly draft a model of the mosque to include it in a blueprint so that other mosques to be built would share the same model, according to Col Wanchai.



The blueprint has to be approved by Army Commander-in-Chief Gen Prayudh Charumani before other military mosques could be constructed, he said.

Meanwhile, The Southernmost Provinces Administration Centre (SPAC) chaired by Charoenchit na Songkhla was reportedly drafting a plan to recruit Muslim people to undergo military education at the Army Cadet School and Non-commissioned Officer School.

The project was initiated by Lt Gen Harn who wanted to boost the status of Muslim people in the army. Most commissioned officers in the Fourth Army Region are now Thai Buddhists.

CSO: 4220/160

INSURGENTS BURN DOWN RAILROAD STATION IN SOUTH

BK231037 Bangkok WORLD in English 23 Dec 81 p 1

[Text] Nakhon Si Thammarat--Communist terrorists last night took control of a small railway station in this southern province about 700 km south of Bangkok and burned it to the ground. The incident, however, has not disrupted train services.

Meanwhile, police have arrested an alleged insurgent and charged him with setting fire to another railway station, in Trang Province, last month.

Last night's incident, about 5 kilometres from Chawang town, was the third time insurgents have burned railway sidings in the last month.

The other burning also occurred in this province.

Police said about 50 insurgents entered the Phor railway station at about 1:30 a.m. today and forced five officials, including the stationmaster, to leave while they set the buildings ablaze.

They said they were protesting suppression operations against them by the army.

In Trang, police arrested Charin Khamnui (alias comrade Thon), 21, and charged him with arson in the burning of Kapong station in Huai Yot District.

They said he confessed he was one of three persons who carried out the operation.

They quoted him as saying there was a conflict among insurgents in Trang with four student terrorists wanting to adopt a "town surrounding jungle" strategy, while the leader, identified as comrade Sith, wanted to use "jungle surrounding village" tactics.

CSO: 4220/163

## BRIEFS

ECONOMIC GROWTH RATE--Thailand achieved an economic growth rate of 7.5 percent so far this year with agricultural production playing a significant role in this better performance. The secretary general of the Thai Chamber of Commerce, Bodiphong Lamsam, said the 1980-1981 agricultural production contributed to one fourth of the gross national product. This year agricultural production recorded an increase of 8.5 percent compared with 3.5 percent last year when the economic growth rate was 6.3 percent. Bodiphong was addressing participants to the 2d meeting of the Thai-Japan trade and economic committee on the current economic situation in the country. The 3-day meeting began Wednesday. The secretary general of the Thai Chamber of Commerce expressed satisfaction over the good performance of the agricultural sector exports except rubber. He said that despite the slowdown in industrial production, exports of industrial goods, particularly textiles, were better than last year. Thailand's export quota to the EEC was higher than those for other ASEAN countries. He added, however, that the country's economic prospects for next year would be better than this year in view of the continuing high overall agricultural output, expansion of agriculture-based industrial goods and the startup of the eastern seaboard projects. [Text] [BK191205 Bangkok Voice of Free Asia in English 1100 GMT 18 Dec 81]

'BOAT PEOPLE' LOST IN MONSOON--The northeast monsoon, which unleashed its fury along the east coast of Malaysia during the past 2 weeks, is believed to have killed hundreds of Vietnamese refugees fleeing their homeland in small boats, rescue officials said yesterday. Officials said only about 49 refugees were reported drowned or killed by pirates, but those who escaped death have reported that scores of small boats carrying refugees were seen swallowed up by giant waves bringing the death toll to hundreds. [Text] [BK200934 Bangkok Voice of Free Asia in English 1100 GMT 19 Dec 81]

USSR TO BUY TAPIOCA--According to the director of the Marketing Organization for Farmers, Thailand will export 5.5 million tons of fresh tapioca roots worth more than 300 million baht to the Soviet Union over the next 5 years. An agreement for the export was reached during the recent visit of a Russian trade mission in Bangkok. Under the agreement, Thailand will ship 500,000 tons of fresh tapioca roots to the Soviet Union from January next year in addition to 1 million tons for the whole year. The remaining 4 million tons will be shipped at the rate of 1 million tons a year. The director of the organization has disclosed that the price for the fresh tapioca roots export will be subject to negotiations once

every 3 months. The organization will buy fresh tapioca roots from registered farmers, particularly those in the eastern and northeastern provinces who will be asked to grow tapioca exclusively for export. [Text] [BK250923 Bangkok Voice of Free Asia in English 1100 GMT 24 Dec 81]

BOAT PEOPLE TOWED TO SEA--Narathiwat--Forty Vietnamese boat people were towed back to sea on Saturday morning after provincial authorities helped repair the engine of their boat which drifted into waters off Muang District last Friday. The refugees--19 men, 9 women and 12 children--were sheltered for a day at the town's Khao Tan Ong Mosque before being returned to their 10-metre boat. Provincial officials said the boat drifted into waters off Muang District's Narathat beach after its only engine broke down and was towed ashore by police in two speedboats. Thailand adopted a new policy towards the boat people on August 15 last year when it was decided that all newly arrived refugees will be pushed back to sea unless immediate resettlement in third countries is guaranteed. [Text] [BK040510 Bangkok POST in English 4 Jan 82 p 2]

CSO: 4220/163

END

**END OF**

**FICHE**

**DATE FILMED**

Jan. 15, 1982